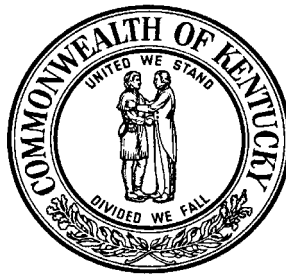


**The Auditor of Public Accounts' Study of the
Local School Districts'
Flexible Spending Accounts
Plan Year Ending 2003**



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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

October 6, 2005

Brad Cowgill, State Budget Director
Governor's Office for Policy and Management

Robby Rudolph, Secretary
Finance and Administration Cabinet

Erwin Roberts, Secretary
Personnel Cabinet

Gene Wilhoit, Commissioner
Kentucky Department of Education

RE: Study of the Local School Districts' Flexible Spending Accounts

Gentlemen:

As a result of our work in the Department of Education dealing with education cooperatives, we became aware of variations in the administration of flexible spending accounts at local school districts. The Commonwealth of Kentucky has elected to offer state employees and local school district employees a Flexible Spending Plan under Section 125 of the IRS Code. The plan offered provides for a contribution of \$234 per month for employees who waive employer paid health insurance coverage for the employee. In addition, employees may contribute personal funds via payroll deduction to cover eligible medical and childcare expenses. In conjunction with the Department of Education it was determined that we would survey the education cooperatives, local school districts, and vendors of flexible spending plans. This engagement was a study of the flexible spending plan process and not an audit conducted for the purposes of expressing an opinion on the fair presentation of any financial activity.

The Personnel Cabinet and Finance and Administration Cabinet contract with a single vendor to administer the plan for state employees, however local school districts have the discretion to select from several vendors to manage their district's plans. Based on the responses from local school districts, there are nine vendors administering 176 school districts' plans. Schools utilizing the same vendor can alter the plan for their district, which means the plan covers similar programs, but is administered in materially different ways. Some accounts are in the name of the school district while other accounts are in



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the name of the administrator. Some school districts have both the state and the individual contributions going into the same account. Others have separate accounts, whether in the administrators' names or in the school districts' names. Administrative charges range from \$2.00 per month per employee to approximately \$16.00 per month per employee.

Under the local school district plan, employees submit claims for reimbursement to the plan administrator and any funds that remain at the end of a plan year are captured under the State Budget Bill and deposited in the General Fund.

Under the local school district plan provisions, employees may receive the full amount they designated during open enrollment at any time during the plan year; however, if they submit insufficient eligible expenses for reimbursement, the deposited funds are forfeited, including personal funds, at the end of the year.

Because of the differences noted above, the objectives of this study focused on the method of selecting vendors, the contract provisions of agreements between local school districts and vendors, the fee structure of the agreements, and recommendations to improve the protection of employee funds and increase the recovery of unclaimed contributions. The scope of this study was for the flexible spending plan year ending 2003 unless otherwise noted. We also sought to identify instances of noncompliance with policy, identify financial control and other process weaknesses. The report findings offering recommendations for improvement are:

- The Kentucky Department of Education should be provided clear statutory authority and the necessary staff resources to monitor the contracts entered into by local school districts and to audit the programs on a regular basis.
- The Kentucky Department of Education and the local school districts should develop a standard contract for use with flexible spending account (FSA) vendors to provide for fund protection, standardized financial statements and standardized fee agreements, or consider utilizing the same agreement as for state employees; any of these options could result in a range of savings between \$100,000 and \$500,000.
- The Personnel Cabinet could include all the school district employees in the same contract with the state employees for FSA benefits.
- During the course of our review, we noted that FSA administrators might be offering insurance products as part of the services provided to local school districts. This practice may be in violation of KRS Chapter 304 Subtitle 12 Trade Practices and Frauds. We are referring this matter to the Kentucky Office of Insurance for further review and resolution.

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Transmitted herewith is our report, with findings, resulting from the procedures applied during this study. We have included our recommendations to improve the flexible spending program's accountability and effectiveness. A background section and appendices are included in the report for informational purposes.

We thank the Department of Education for their cooperation in this study. We also thank the cabinet secretaries, the local school districts and the FSA vendors that provided cooperation and assistance during this study.

Very truly yours,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen

Auditor of Public Accounts

c. LaJuana Wilcher, Secretary, Environmental and Public Protection Cabinet
R. Glenn Jennings, Executive Director, Office of Insurance

APPENDIX A

Education Processes for Flexible Spending Accounts

Overview of the Open Enrollment Process

Annually, during health insurance open enrollment periods, Local Education Agency, LEA, employees are given the option to participate in the state sponsored health insurance plan for the upcoming calendar year.

During this period each eligible employee elects a health insurance plan offered by the state group and chooses to have their state contribution fully fund or supplement the cost of their elected health plan. Employees are also given the option to waive their health insurance coverage and participate in a flexible spending account program and have designated their state contribution directed to a medical spending account that is administered by a third party vendor under contract with the local education agency. In some cases, an employee's health insurance plan may be less than the state contribution, thus allowing the employee to redirect the remaining state contribution balance to a flexible spending account.

At the close of open enrollment, a copy of each employee's health insurance application is entered into the electronic accounting system (MUNIS) and establishes a health insurance record and/or a flexible spending record to be generated for monthly calculation. This monthly report is sent from each LEA to the Kentucky Department of Education who generates an electronic health insurance file or a flexible spending account file. KDE calculates a summary report sorted by vendor, LEA, and employee to send payment of the 100% state contribution to the health insurance carrier on behalf of each LEA employee or directs the 100% state contribution to the flexible spending vendor contracted by the LEA. In some cases, an employee's health insurance plan may be less than the state contribution, thus allowing the employee to redirect the remaining state contribution balance to a flexible spending account as calculated by MUNIS and submitted for payment KDE.

Monthly Cash Flows of Health Insurance/FSA Contributions

Flexible spending accounts funds are sent directly from KDE to the contracted LEA vendors for all KDE employees, regardless of the funding source. These payments are made from KDE's general fund and are coded to E433 - Employee Benefit Payments PBU DPBE. Local school districts will then calculate the federal share of the health insurance/FSA contribution amount and will send a check for this amount to KDE. These funds are paid out of the district's federal funds and are deposited with KDE. During FY04, these deposits were coded to E433 - Employee Benefit Payments and reduced the state's E433 expense. During FY05, the procedures changed and these deposits were recorded in Fund 1400, R404 - General Fees from the Public, PBU DPBE. Local districts will also send a check to the FSA Third Party Administrator for the amount that employees elect to contribute (that was withheld from their paychecks) to their FSA accounts.

After districts remit payment to KDE for health insurance/FSA contributions for federally funded employees, they fill out a Federal Cash Request (FCR) and submit it to KDE for

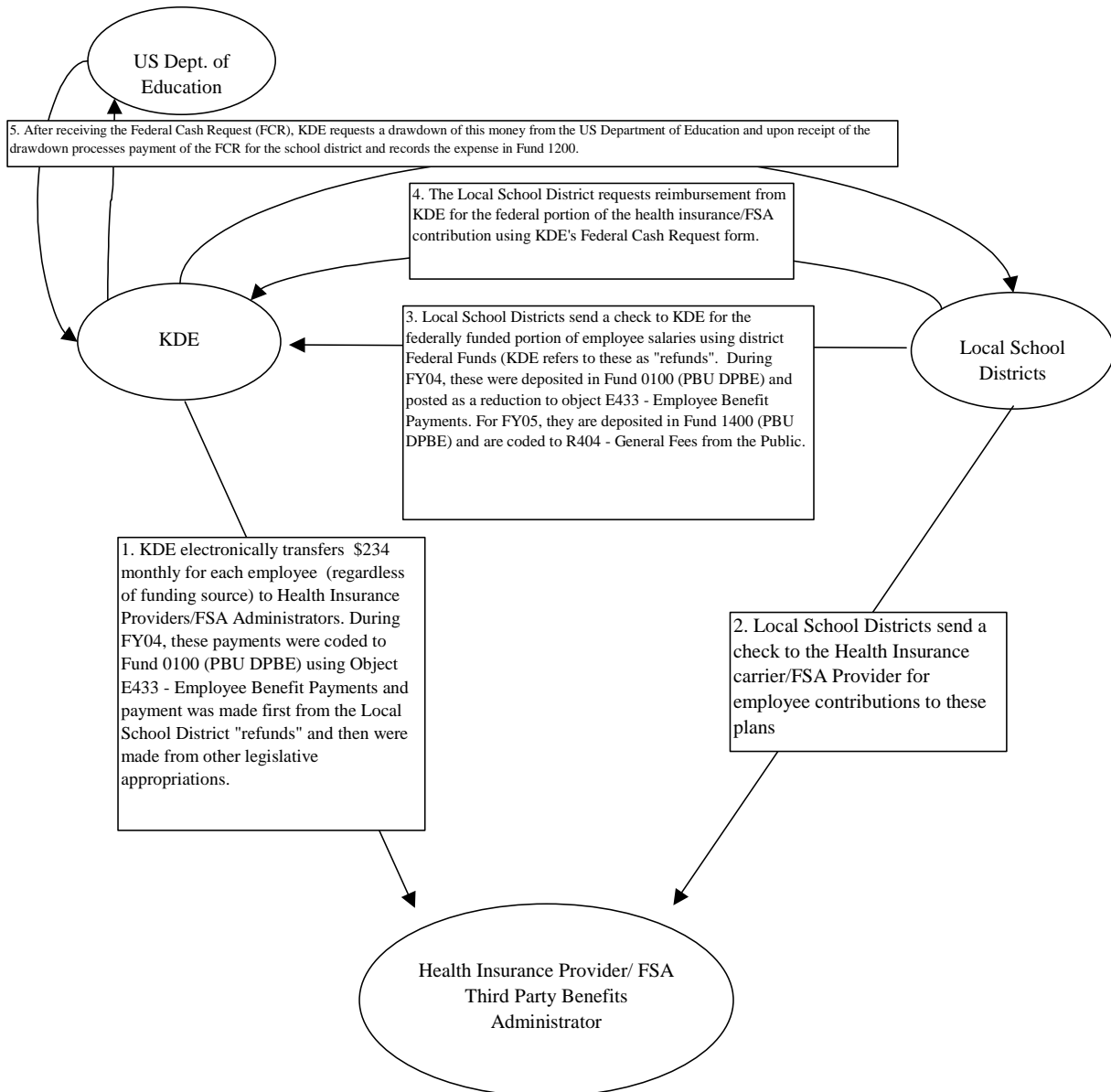
reimbursement. KDE will then draw down this money from the federal government and process a payment voucher to the district for the amount of the FCR.

End of the Year Cash Flows of FSA Refunds

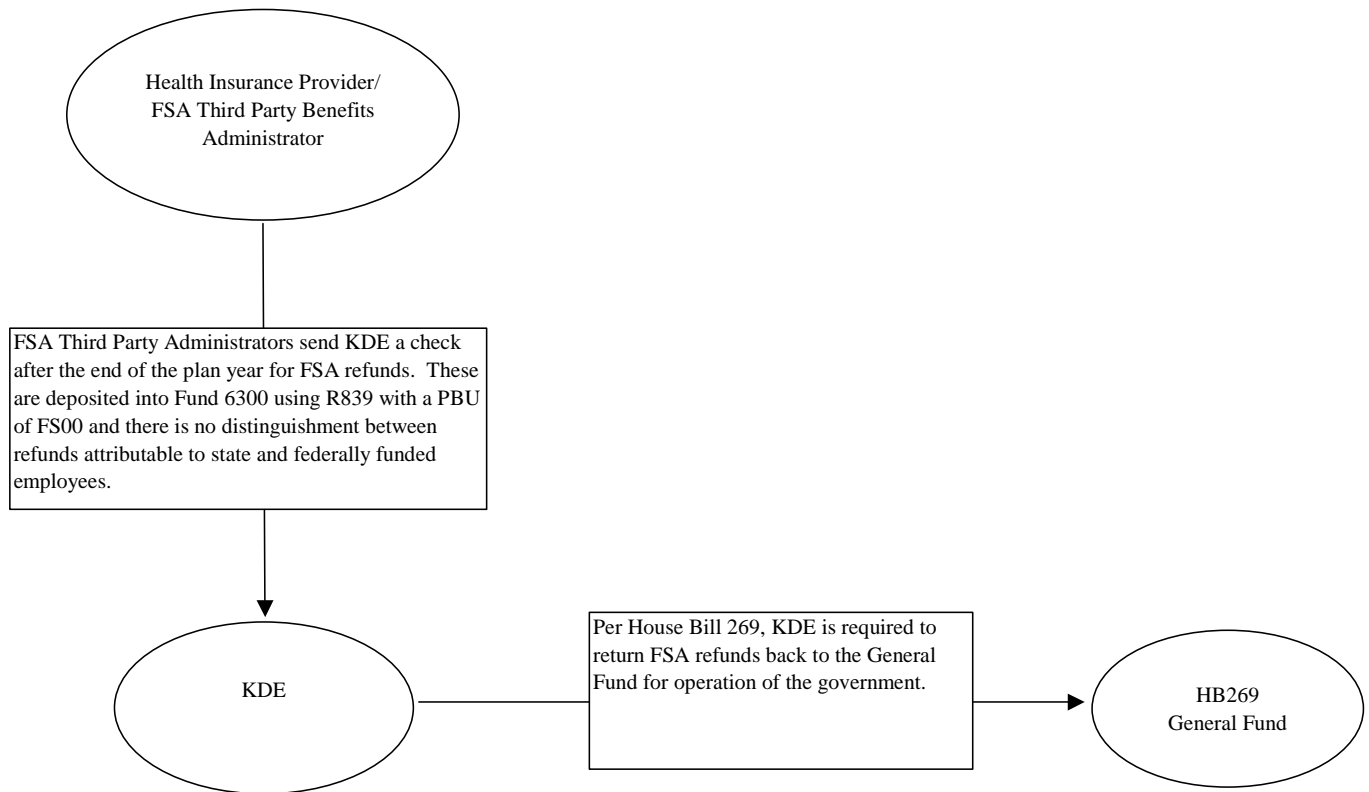
FSA participants must submit claims for medical expenses that were incurred between January 1st and December 31st by March 31st of the next year. Unused funds that are not claimed by March 31st are considered forfeited and they are returned to KDE by the FSA administrators. These funds are deposited into Fund 6300 using R839 (Other Deposits) and PBU FS00. Since July 2002 (auditor's estimate) these funds have been retained by KDE and turned over to the state's general fund for payment of operations of the government per House Bill 269.

MONTHLY CASH FLOWS OF HEALTH INSURANCE/FSA CONTRIBUTIONS

Source: information obtained from Vickie Terry & Sydney Lawson @ KDE, Gail Binder, Financial Officer at the Woodford Co. Public Schools, Marian Stopher, Chief Accountant with the Scott Co. Board of Education.



CASH FLOWS OF FSA REFUNDS AT THE END OF THE FISCAL/PLAN YEAR



APPENDIX B

Title 26 - Internal Revenue Code §125. Cafeteria Plans

NOTES: <http://www.ccp.cc.pa.us/vpacaff/library/ltutorial/statutes.htm>

Source

(Added Pub. L. 95-600, title I, § 134(a), Nov. 6, 1978, 92 Stat. 2783; amended Pub. L. 96-222, title I, § 101(a)(6)(A), Apr. 1, 1980, 94 Stat. 196; Pub. L. 96-605, title II, §§ 201(b)(2), 226 (a), Dec. 28, 1980, 94 Stat. 3527, 3529; Pub. L. 96-613, § 5(b)(2), Dec. 28, 1980, 94 Stat. 3581; Pub. L. 98-369, div. A, title V, § 531(b)(1)-(4)(A), July 18, 1984, 98 Stat. 881, 882; Pub. L. 98-611, § 1(d)(3)(A), Oct. 31, 1984, 98 Stat. 3177; Pub. L. 98-612, § 1(b)(3)(B), Oct. 31, 1984, 98 Stat. 3181; Pub. L. 99-514, title XI, § 1151(d)(1), title XVIII, § 1853(b)(1), Oct. 22, 1986, 100 Stat. 2504, 2870; Pub. L. 100-647, title I, §§ 1011B(a)(11)-(13), 1018(t)(6), title IV, § 4002(b)(2), title VI, § 6051(b), Nov. 10, 1988, 102 Stat. 3484, 3485, 3589, 3643, 3696; Pub. L. 101-140, title II, § 203(a)(1), (3), (b)(2), Nov. 8, 1989, 103 Stat. 830, 831; Pub. L. 101-239, title VII, § 7814(b), Dec. 19, 1989, 103 Stat. 2413; Pub. L. 101-508, title XI, § 11801(c)(3), Nov. 5, 1990, 104 Stat. 1388-523; Pub. L. 104-191, title III, §§ 301(d), 321 (c)(1), Aug. 21, 1996, 110 Stat. 2051, 2058.)

Codification

Pub. L. 101-140, § 203(a)(1), amended this section to read as if the amendments made by section 1151(d)(1) of Pub. L. 99-514 (amending this section generally) had not been enacted. Subsequent to amendment by Pub. L. 99-514, this section was amended by Pub. L. 100-647 and Pub. L. 101-239. See 1989 and 1988 Amendment notes below.

Prior Provisions

A prior section 125 was renumbered section 140 of this title.

Amendments

1996—Subsec. (f). Pub. L. 104-191, § 321(c)(1), inserted at end “Such term shall not include any product which is advertised, marketed, or offered as long-term care insurance.” Pub. L. 104-191, § 301(d), inserted “106(b),” before “117”. 1990—Subsec. (f). Pub. L. 101-508 substituted “section 117,” for “section 117, 124,”. 1989—Pub. L. 101-140, § 203(a)(1), amended section to read as if amendments by Pub. L. 99-514, § 1151(d)(1), had not been enacted, see 1986 Amendment note below. Subsec. (d)(2). Pub. L. 101-140, § 203(b)(2), amended par. (2) generally. Prior to amendment, par. (2) read as follows: “The term ‘cafeteria plan’ does not include any plan which provides for deferred compensation. The preceding sentence shall not apply in the case of a profit-sharing or stock bonus plan which includes a qualified cash or deferred arrangement (as defined in section 401 (k)(2)) to the extent of amounts which a covered employee may elect to have the employer pay as contributions to a trust under such plan on behalf of the employee.” Subsec. (e)(2)(A). Pub. L. 101-239 substituted “includible only because” for “includable only because”, see Codification note above. Subsec. (g)(3)(A). Pub. L. 101-140, § 203(a)(3), substituted “section 410 (b)(2)(A)(i)” for “subparagraph (B) of section 410 (b)(1)”. 1988—Subsec. (a). Pub. L. 100-647, § 1011B(a)(11)(A), amended

subsec. (a) generally, see Codification note above. Prior to amendment, subsec. (a) read as follows: "In the case of a cafeteria plan— "(1) amounts shall not be included in gross income of a participant in such plan solely because, under the plan, the participant may choose among the benefits of the plan, and "(2) if the plan fails to meet the requirements of subsection (b) for any plan year— "(A) paragraph (1) shall not apply, and "(B) notwithstanding any other provision of part III of this subchapter, any qualified benefits received under such cafeteria plan by a highly compensated employee for such plan year shall be included in the gross income of such employee for the taxable year with or within which such plan year ends." Subsec. (b)(1). Pub. L. 100-647, § 1011B(a)(11)(B), substituted "In the case of a highly compensated employee, subsection (a) shall not apply to any benefit attributable to a plan year" for "A plan shall be treated as failing to meet the requirements of this subsection", see Codification note above. Subsec. (b)(2). Pub. L. 100-647, § 1011B(a)(11)(C), substituted "subsection (a) shall not apply to any plan year" for "a plan shall be treated as failing to meet the requirements of this subsection" in first sentence, see Codification note above. Pub. L. 100-647, § 1011B(a)(13)(B), substituted "shall not include benefits which (without regard to this paragraph) are includible in gross income" for "shall be determined without regard to the last sentence of subsection (e)", see Codification note above. Subsec. (c)(1)(B). Pub. L. 100-647, § 1011B(a)(12), amended subpar. (B) generally, see Codification note above. Prior to amendment, subpar. (B) read as follows: "the participants may choose— "(i) among 2 or more benefits consisting of cash and qualified benefits, or "(ii) among 2 or more qualified benefits." Subsec. (c)(2)(B). Pub. L. 100-647, § 1018(t)(6), inserted "or rural electric cooperative plan (within the meaning of section 401 (k)(7))" after "stock bonus plan", see Codification note above. Subsec. (c)(2)(C). Pub. L. 100-647, § 6051(b), inserted at end "In applying section 89 to a plan described in this subparagraph, contributions under the plan shall be tested as of the time the contributions were made.", see Codification note above. Subsec. (e)(1). Pub. L. 100-647, § 1011B(a)(13)(A), inserted "and without regard to section 89 (a)" after "subsection (a)", see Codification note above. Subsec. (e)(2)(A). Pub. L. 100-647, § 4002(b)(2), inserted "or any insurance under a qualified group legal services plan the value of which is so includable only because it exceeds the limitation of section 120 (a)" after "section 79", see Codification note above. 1986—Pub. L. 99-514, § 1151(d)(1), amended section generally, revising and restating as subsecs. (a) to (g) provisions of former subsecs. (a) to (i) so as to coincide with the coming into effect of section 89 of this title. Subsecs. (c), (d)(1)(B). Pub. L. 99-514, § 1853(b)(1)(A), substituted "qualified benefits" for "statutory nontaxable benefits" wherever appearing. Subsec. (f). Pub. L. 99-514, § 1853(b)(1)(B), substituted "Qualified benefits defined" for "Statutory nontaxable benefits defined" in heading and amended text generally. Prior to amendment, text read as follows: "For purposes of this section, the term 'statutory nontaxable benefit' means any benefit which, with the application of subsection (a) is not includible in the gross income of the employee by reason of an express provision of this chapter (other than section 117, 124, 127, or 132). Such term includes any group term life insurance which is includible in gross income only because it exceeds the dollar limitation of section 79." 1984—Subsec. (b). Pub. L. 98-369, § 531(b)(3), amended subsec. (b) generally, substituting "and key employees" for "where plan is discriminatory" in heading and "Highly compensated participants" for "In general" in par. (1) heading, adding par. (2), redesignating former par. (2) as (3), and inserting therein references to par. (2) and to taxable year of key employee. Subsec. (c). Pub. L. 98-369, § 531(b)(2)(B), inserted "statutory" before "nontaxable benefits" in two places. Subsec. (d)(1). Pub. L. 98-369, § 531(b)(1), substituted "among 2 or more benefits consisting of cash and statutory nontaxable benefits" for "among two or more benefits" in cl. (B) and

struck out "The benefits which may be chosen may be nontaxable benefits, or cash, property, or other taxable benefits." Subsec. (f). Pub. L. 98-369, § 531(b)(2)(A), amended subsec. (f) generally, inserting "Statutory" in heading and "statutory" before "nontaxable benefit" in text, providing that the benefit be excluded by reason of an express provision of this chapter (other than section 117, 124, 127, or 132), and extending the benefit to include group term life insurance. Subsec. (h). Pub. L. 98-611 and Pub. L. 98-612, made identical amendments, substituting cross reference provision for reporting requirements provisions. Pub. L. 98-369, § 531(b)(4)(A), added subsec. (h) relating to reporting requirements provisions. Former subsec. (h) redesignated (i). Subsec. (i). Pub. L. 98-369, § 531(b)(4)(A), redesignated subsec. (h) as (i). 1980—Subsec. (d)(2). Pub. L. 96-605, § 226(a), inserted provision that the sentence excluding deferred compensation plans not apply in the case of a profit-sharing or stock bonus plan which includes a qualified cash or deferred arrangement, as defined in section 401 (k)(2) to the extent of amounts which a covered employee may elect to have the employer pay as contributions to a trust under such plan on behalf of the employee. Subsec. (g)(3)(B). Pub. L. 96-222 substituted "employment requirement" for "service requirement" in cls. (i) and (ii). Subsec. (g)(4). Pub. L. 96-613, § 5(b)(2), and Pub. L. 96-605, § 201(b)(2), made identical amendments by substituting "controlled groups, etc." for "controlled groups" in heading, and by substituting "subsection (b), (c), or (m) of section 414" for "subsection (b) or (c) of section 414" in text.

Effective Date of 1996 Amendment

Amendment by section 301(d) of Pub. L. 104-191 applicable to taxable years beginning after Dec. 31, 1996, see section 301(j) of Pub. L. 104-191, set out as a note under section 62 of this title. Amendment by section 321(c)(1) of Pub. L. 104-191 applicable to contracts issued after Dec. 31, 1996, see section 321(f) of Pub. L. 104-191, set out as an Effective Date note under section 7702B of this title.

Effective Date of 1989 Amendments

Amendment by Pub. L. 101-239 effective, except as otherwise provided, as if included in the provision of the Technical and Miscellaneous Revenue Act of 1988, Pub. L. 100-647, to which such amendment relates, see section 7817 of Pub. L. 101-239, set out as a note under section 1 of this title. Amendment by Pub. L. 101-140 effective as if included in section 1151 of Pub. L. 99-514, see section 203(c) of Pub. L. 101-140, set out as a note under section 79 of this title.

Effective Date of 1988 Amendment

Amendment by sections 1011B (a)(11)-(13) and 1018(t)(6) of Pub. L. 100-647 effective, except as otherwise provided, as if included in the provision of the Tax Reform Act of 1986, Pub. L. 99-514, to which such amendment relates, see section 1019(a) of Pub. L. 100-647, set out as a note under section 1 of this title. Amendment by section 4002(b)(2) of Pub. L. 100-647 applicable to taxable years ending after Dec. 31, 1987, see section 4002(c) of Pub. L. 100-647, set out as a note under section 120 of this title. Section 6051(c) of Pub. L. 100-647 provided that: "The amendments made by this section [amending this section and section 89 of this title] shall take effect as if included in the amendments made by section 1151 of the Reform Act [Pub. L. 99-514, see Effective Date of 1986 Amendment note set out under section 79 of this title]."

Effective Date of 1986 Amendment

Amendment by section 1151(d)(1) of Pub. L. 99-514 applicable, with certain qualifications and exceptions, to years beginning after Dec. 31, 1988, see section 1151(k) of Pub. L. 99-514, as amended, set out as a note under section 79 of this title. Amendment by section 1853(b)(1) of Pub. L. 99-514 effective, except as otherwise provided, as if included in the provisions of the Tax Reform Act of 1984, Pub. L. 98-369, div. A, to which such amendment relates, see section 1881 of Pub. L. 99-514, set out as a note under section 48 of this title.

Effective Date of 1984 Amendments

Amendment by Pub. L. 98-612 effective Jan. 1, 1985, see section 1(d)(2) of Pub. L. 98-612. Amendment by Pub. L. 98-611 effective Jan. 1, 1985, see section 1(g)(2) of Pub. L. 98-611, set out as a note under section 127 of this title. Amendment by Pub. L. 98-369 effective Jan. 1, 1985, see section 531(h) of Pub. L. 98-369, set out as an Effective Date note under section 132 of this title.

Effective Date of 1980 Amendments

Amendments by section 201(b)(2) of Pub. L. 96-605 and section 5(b)(2) of Pub. L. 96-613 applicable to years ending after Nov. 30, 1980, except in the case of a plan in existence on Nov. 30, 1980 where amendments by section 201(b)(2) of Pub. L. 96-605 and section 5(b)(2) of Pub. L. 96-613 applicable to plan years beginning after Nov. 30, 1980, see section 201(c) of Pub. L. 96-605 and section 5(c) of Pub. L. 96-613, set out as a note under section 414 of this title. Section 226(b) of Pub. L. 96-605 provided that: "The amendment made by subsection (a) [amending this section] shall apply with respect to taxable years beginning after December 31, 1980." Amendment by Pub. L. 96-222 effective, except as otherwise provided, as if it had been included in the provisions of the Revenue Act of 1978, Pub. L. 95-600, to which such amendment relates, see section 201 of Pub. L. 96-222, set out as a note under section 32 of this title.

Effective Date of 1978 Amendment

Section 134(c) of Pub. L. 95-600, as amended by Pub. L. 96-222, title I, § 101(a)(6)(B), Apr. 1, 1980, 94 Stat. 197, provided that: "The amendments made by this section [enacting this section] shall apply to plan years beginning after December 31, 1978."

Savings Provision

For provisions that nothing in amendment by Pub. L. 101-508 be construed to affect treatment of certain transactions occurring, property acquired, or items of income, loss, deduction, or credit taken into account prior to Nov. 5, 1990, for purposes of determining liability for tax for periods ending after Nov. 5, 1990, see section 11821(b) of Pub. L. 101-508, set out as a note under section 29 of this title.

Nonenforcement of Amendment Made by Section 1151 of Pub. L. 99-514 for Fiscal Year 1990

No monies appropriated by Pub. L. 101-136 to be used to implement or enforce

section 1151 of Pub. L. 99-514 or the amendments made by such section, see section 528 of Pub. L. 101-136, set out as a note under section 89 of this title.

Treatment of Pre-1989 Elections for Dependent Care Assistance Under Cafeteria Plans

Section 6063 of Pub. L. 100-647 provided that: "For purposes of section 125 of the 1986 Code, a plan shall not be treated as failing to be a cafeteria plan solely because under the plan a participant elected before January 1, 1989, to receive reimbursement under the plan for dependent care assistance for periods after December 31, 1988, and such assistance is includible in gross income under the provisions of the Family Support Act of 1988 [Pub. L. 100-485, see Tables for classification]." For provision that for purposes of section 125 of the Internal Revenue Code of 1986, a plan shall not be treated as failing to be a cafeteria plan solely because under the plan a participant elected before January 1, 1988, to receive reimbursement under the plan for dependent care assistance for periods after December 31, 1987, and such assistance included reimbursement for expenses at a camp where the dependent stays overnight, see section 10101(b)(2) of Pub. L. 100-203, as added by Pub. L. 100-647, set out as an Effective Date of 1987 Amendment note under section 21 of this title.

Exception for Certain Cafeteria Plans and Benefits

Section 531(b)(5) of Pub. L. 98-369, as amended by Pub. L. 99-514, title XVIII, § 1853(b)(2), (3), Oct. 22, 1986, 100 Stat. 2870, 2871, provided that: "(A) General transitional rule.—Any cafeteria plan in existence on February 10, 1984, which failed as of such date and continued to fail thereafter to satisfy the rules relating to section 125 under proposed Treasury regulations, and any benefit offered under such a cafeteria plan which failed as of such date and continued to fail thereafter to satisfy the rules of section 105, 106, 120, or 129 under proposed Treasury regulations, will not fail to be a cafeteria plan under section 125 or a nontaxable benefit under section 105, 106, 120, or 129 solely because of such failures. The preceding sentence shall apply only with respect to cafeteria plans and benefits provided under cafeteria plans before the earlier of— "(i) January 1, 1985, or "(ii) the effective date of any modification to provide additional benefits after February 10, 1984. "(B) Special transition rule for advance election benefit banks.—Any benefit offered under a cafeteria plan in existence on February 10, 1984, which failed as of such date and continued to fail thereafter to satisfy the rules of section 105, 106, 120, or 129 under proposed Treasury regulations because an employee was assured of receiving (in cash or any other benefit) amounts available but unused for covered reimbursement during the year without regard to whether he incurred covered expenses, will not fail to be a nontaxable benefit under such applicable section solely because of such failure. The preceding sentence shall apply only with respect to benefits provided under cafeteria plans before the earlier of— "(i) July 1, 1985, or "(ii) the effective date of any modification to provide additional benefits after February 10, 1984. Except as provided in Treasury regulations, the special transition rule is available only for benefits with respect to which, after December 31, 1984, contributions are fixed before the period of coverage and taxable cash is not available until the end of such period of coverage. "(C) Plans for which substantial implementation costs were incurred.—For purposes of this paragraph, any plan with respect to which substantial implementation costs had been incurred before February 10, 1984, shall be treated as in existence on February 10, 1984. "(D) Collective bargaining agreements.—In the case of any cafeteria plan in existence on February

10, 1984, and maintained pursuant to 1 or more collective bargaining agreements between employee representatives and 1 or more employers, the date on which the last of such collective bargaining agreements terminates (determined without regard to any extension thereof agreed to after July 18, 1984) shall be substituted for 'January 1, 1985' in subparagraph (A) and for 'July 1, 1985' in subparagraph (B). For purposes of the preceding sentence, any plan amendment made pursuant to a collective bargaining agreement relating to the plan which amends the plan solely to conform to any requirement added by this section (or any requirement in the regulations under section 125 of the Internal Revenue Code of 1954 [now 1986] proposed on May 6, 1984) shall not be treated as a termination of such collective bargaining agreement. "(E) Special rule where contributions or reimbursements suspended.—For purposes of subparagraphs (A) and (B), a plan shall not be treated as not continuing to fail to satisfy the rules referred to in such subparagraphs with respect to any benefit provided in the form of a flexible spending arrangement merely because contributions or reimbursements (or both) with respect to such plan were suspended before January 1, 1985."

Section Referred to in Other Sections

This section is referred to in sections 35, 79, 403, 414, 415, 3121, 3306, 6039D, 7701 of this title; title 29 section 2918; title 42 section 409.

APPENDIX C

Congressional Research Service Report for Congress
Health Care Flexible Spending Accounts

CRS Report for Congress

Received through the CRS Web

Health Care Flexible Spending Accounts

November 1, 2004

Chris L. Peterson and Bob Lyke
Domestic Social Policy Division

Health Care Flexible Spending Accounts

Summary

Health care Flexible Spending Accounts (FSAs) are benefit plans established by employers to reimburse employees for health care expenses such as deductibles and copayments. FSAs are usually funded by employees through salary reduction agreements, although employers are permitted to contribute, as well. The contributions to and withdrawals from FSAs are tax exempt.

FSA contributions are forfeited if not used by the end of the year. Legislation has been introduced in recent years to permit part or all of remaining balances to be rolled over to accounts next year or to qualified retirement accounts. Up until his most recent budget proposal (FY2005), President Bush's annual submissions had sought the rollover of up to \$500 remaining in an FSA at the end of the year.

In 2002, 39% of private-sector employees could establish a health care FSA, though actual usage was lower. FSAs were not as common for workers in small businesses. In establishments with fewer than 50 employees, 7% of workers had access, compared to 57% of workers in establishments with at least 50 employees. In July 2003, FSAs became available to federal employees for the first time.

These other points should be noted about health care FSAs:

- FSAs are limited to employees and former employees.
- The Internal Revenue Service (IRS) imposes no dollar limit on health care FSA contributions, but employers generally do.
- FSAs can be used only for unreimbursed medical expenses that would be deductible under the Internal Revenue Code, not including insurance and several other exceptions.
- Employers may impose additional restrictions.

FSAs are different from Health Savings Accounts (HSAs), Health Reimbursement Accounts (HRAs), and Archer Medical Savings Accounts (MSAs). For a comparison of these four accounts, see CRS Report RS21573, *Tax-Advantaged Accounts for Health Care Expenses: Side-by-Side Comparison*. This report will be updated for new data or as legislative activity occurs.

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Health Care Flexible Spending Accounts

Health care Flexible Spending Accounts (FSAs) are employer-established benefit plans to reimburse employees for specified health care expenses as they are incurred. They arose in the 1970s as a way to provide employees with a flexible benefit at a time when the cost of health care was a growing concern. In contrast to traditional insurance plans, FSAs generally allow employees to vary benefit amounts in accordance with their anticipated health care needs. FSAs can be used for unreimbursed medical expenses, and contributions to FSAs have tax advantages. However, FSA contributions are forfeited if not used by the end of the year.

This report describes FSAs, the basis for their tax treatment, and data on their use.¹ The report concludes with a brief discussion of recent presidential and legislative proposals affecting FSAs.

Background

FSAs are employer-established benefit plans that reimburse employees for specified expenses as they are incurred. They usually are funded through salary reduction arrangements under which employees receive less take-home pay in exchange for contributions to their accounts. Employees each year choose how much to put in their accounts, which they may use for dependent care or for medical and dental expenses. However, there must be separate accounts for these two purposes, and amounts unused at the end of the year must be forfeited to the employer. If FSAs meet these and other rules, contributions are not subject to either income or employment taxes. The focus of this report is on the FSAs devoted to health care.

To illustrate the tax savings, consider a health care FSA funded for an employee through a salary reduction arrangement. Before the start of the year, the employee elects to reduce his salary by \$75 a month in exchange for contributions of that amount to the FSA. Other employees might choose to contribute more or less than \$75. Throughout the year, as the employee incurs medical and dental expenses not covered by insurance or other payments, he may use funds in the account to pay them. His total draw, which must be available at the start of the year, is limited to \$900 (the sum of his monthly contributions for the year). If all \$900 is used the first nine months, for example, he generally cannot replenish the account until the next year. Any amount that remains unspent after 12 months is forfeited to the employer.

¹FSAs are different from the three other types of tax-advantaged health care accounts: Health Savings Accounts, Health Reimbursement Accounts, and Archer Medical Savings Accounts. For a comparison of all these accounts, see CRS Report RS21573, *Tax-Advantaged Accounts for Health Care Expenses: Side-by-Side Comparison*, by Bob Lyke and Chris L. Peterson.

If the FSA was funded by the employer, as sometimes is the case, the employee's draw must similarly be available at the start of the year. It is possible for FSAs to be funded both by salary reductions and employer contributions.

If the employee were in the 25% tax bracket, the federal income tax savings from the \$900 salary reduction used to fund the account generally would be \$225 (i.e., $\$900 \times .25$); in addition, the employee could save \$69 in Social Security and Medicare taxes (i.e., $\$900 \times .0765$).² There could be state income tax savings as well. If the employee were in the 15% tax bracket, the federal income tax savings would be \$135, three-fifths as large, while if he were in the top 35% bracket they would be commensurately greater, \$315).³

The employer would also save \$69 in employment taxes from the \$900 salary reduction. Employers often use these savings to help pay the expenses of administering an FSA.

Tax savings can exceed losses due to forfeiture of a remaining balance at the end of the year; thus, not all of an account must be used for employees to come out ahead financially. Since tax savings are greater in the higher tax brackets, higher income employees may be less concerned about forfeitures (assuming they recognize they could still be better off) than lower income employees.⁴

The tax savings associated with a health care FSA are not unlike those for traditional comprehensive health insurance, which also allows employer payments to be excluded from the income and employment taxes of the employees as well as from the employment taxes of the employer.

²If the employee's earnings exceeded the Social Security wage base (\$87,900 in 2004), the only savings would be \$13 from Medicare taxes (i.e., $\$900 \times .0145$). Reductions in Social Security taxes due to FSA salary reductions could affect the Social Security benefits that the worker later receives, though not by much.

³In 2004, the 15% bracket for single filers applied to taxable income (that is, after exemptions and deductions are subtracted) of \$7,151 to \$29,050; for married couples filing jointly, the bracket extended from \$14,301 to \$58,100. The 25% brackets for these taxpayers were from \$29,051 to \$70,350 and from \$58,101 and \$117,250, respectively.

⁴The breakeven point for an employee in the 25% bracket who contributes \$900 would generally be \$606 (i.e., \$900 minus income tax savings of \$225 and employment tax savings of \$69). The employee comes out ahead if unreimbursed expenses exceed that amount, assuming they would have been incurred in the absence of the FSA. If expenses would not have been incurred except for the FSA, then the breakeven point generally would be higher since the employee presumably values the obtained services at less than the market price.

Basis for Tax Treatment

FSAs are one way that employment benefits can be varied to meet the needs of individual employees without loss of favorable tax treatment. Flexible benefit arrangements generally qualify for tax advantages as "cafeteria plans," under which employees choose between cash (typically take-home pay) and certain nontaxable benefits (in this case, reimbursements for health care expenses) without paying taxes if they select the benefits. The general rule is that when taxpayers have an option of receiving cash or nontaxable benefits they are taxed even if they select the benefits; they are deemed to be in constructive receipt of the cash since it is made available to them. Section 125 of the Internal Revenue Code provides an express exception to this rule when certain nontaxable benefits are chosen under a cafeteria plan.⁵

FSAs and cafeteria plans are closely related, but not all cafeteria plans have FSAs and not all FSAs are part of cafeteria plans. FSAs are considered part of a cafeteria plan when they are *funded through voluntary salary reductions*; this exempts the employee's choice between cash (the salary subject to reduction) and normally nontaxable benefits (such as health care) from the constructive receipt rule and permits the latter to be received free of tax.⁶ Thus, instead of receiving a full salary (for example, \$30,000), the employee can receive a reduced salary of \$29,100 with a \$900 FSA contribution and will need to treat only \$29,100 as taxable income.

However, if FSAs are funded by *nonelective employer contributions* then their tax treatment is not governed by the cafeteria plan provisions in Section 125; in this situation, the employee does not have a choice between receiving cash and a normally nontaxable benefit. Instead, the benefits are nontaxable since they are directly excludable under some other provision of the Code. For example, nonelective employer-funded FSAs for dependent care are tax-exempt under Section 129, while nonelective employer-funded FSAs for health care are tax-exempt under Sections 105 and 106.

Particular rules governing the tax treatment of FSAs are not spelled out in the Internal Revenue Code;⁷ rather, they were included in proposed regulations that the Internal Revenue Service (IRS) issued for cafeteria plans in 1984 and 1989.⁸ Final

⁵In addition, cafeteria plans may include some taxable benefits; like cash, these are taxable if the employee selects them.

⁶For a critical discussion of the Internal Revenue Service's interpretation of constructive receipt with respect to employee benefit plans and Section 125, see Leon E. Irish, Cafeteria Plans in Transition, *Tax Notes*, Dec. 17, 1984, pp. 1135-1136.

⁷For many years, the Code had no explicit reference to FSAs. The Health Insurance Portability and Accountability Act of 1996 (P.L. 104-191) added a definition in subsection 106(c)(2) when it disallowed coverage of long-term care services through such accounts.

⁸49 *Federal Register* 19321, May 7, 1984, 49 *Federal Register* 50733, Dec. 31, 1984 and 54 *Federal Register* 9460, Mar. 7, 1989. The proposed regulations have not been finalized, but they remain the position of the IRS. The rules cover both FSAs funded by salary reductions and FSAs funded by nonelective employer contributions. Although employers
(continued...)

rules regarding circumstances in which employers may allow employees to change elections during a plan year were issued in March 2000 and January 2001.⁹ To be exempt from the constructive receipt rule, participants must not have cash or taxable benefits become “currently available”; they must elect specific benefits before the start of the plan year and be unable to change these elections except under specified circumstances. With respect to health care FSAs:

- the maximum amount of reimbursement (reduced by any benefits paid for covered expenses) must be available throughout the coverage period;
- coverage periods generally must be 12 months (to prevent employees from contributing just when they anticipate having expenses);
- reimbursements must be only for medical expenses allowable as deductions under Section 213 of the Code;
- claims must be substantiated by an independent third party;
- expenses must be incurred during the period of coverage;
- after year-end forfeitures, any “experience gains” (the excess of total plan contributions and earnings over total reimbursements and other costs) may at the employer’s discretion be returned to participants or used to reduce future contributions, provided individual refunds are not based on participants’ claims;¹⁰ and
- health care FSAs must exhibit the risk-shifting and risk-distribution characteristics of insurance.¹¹

The effect of the IRS rules is to allow only *forfeitable* FSAs under which employees lose whatever they do not spend each year. The rules disallow three other types of FSAs that had started to spread before 1984: *benefit banks*, which refunded unused balances as taxable compensation at the end of each year; *ZEBRAs*, or zero-based reimbursement accounts, under which reimbursements were subtracted from

⁸(...continued)

generally do not permit annual reimbursements from FSAs to exceed the amount slated for contribution during the year, the proposed regulations do not require this. The proposed regulations allow a maximum annual reimbursement of up to 500% of the total annual contribution, or “premium” (including both employer-paid and employee-paid portions of the contribution to the FSA). An FSA operating in this way would be more similar to typical health insurance in that the maximum benefit is not limited to the year’s contribution total. However, such an FSA would still differ from typical health insurance in that the maximum benefit is relatively low.

⁹65 *Federal Register* 15548, Mar. 23, 2000 and 66 *Federal Register* 1837, Jan. 10, 2001. The rules apply to cafeteria plans generally, not just FSAs. The rules allow mid-year election changes for changes in status (marital status, number of dependents, employment status, place of residence) and significant changes in cost or coverage; however, mid-year election changes for health care FSAs are not allowed for cost or coverage changes since the plans must exhibit the risk-shifting and risk-distributions characteristics of insurance. These rules only permit employers to allow mid-year changes, they do not require them.

¹⁰Thus an employer might refund the same dollar amount to every participant, even though some used all their benefits while others forfeited unused amounts.

¹¹54 *Federal Register* 9460, Q and A 7. Some of the seven requirements listed in the text had been issued in 1984.

salaries each month (thus reducing taxable compensation at the time it was paid); and *ultimate ZEBRAs*, under which salaries already paid were recharacterized at the end of the year into reimbursements and taxable compensation. Neither ZEBRAs nor ultimate ZEBRAs had accounts that were funded, and they were criticized as abusive arrangements.

The IRS rules lay out what is permissible with respect to FSA plans, but employers may add their own requirements. For example, the IRS does not limit the amount that an employee can be reimbursed through a health care FSA, but employers may establish their own ceiling.¹² Similarly, employers may exclude certain elective expenses from their plans, or they might require employees who terminate employment to continue to participate until the end of the plan year.

One justification for the tax advantages of FSAs is that they might be equivalent to the tax savings associated with comprehensive insurance plans having negligible deductibles and copayments; from this perspective, they seem equitable. On the other hand, similar tax savings are not available to individuals who can only claim an itemized deduction for unreimbursed expenses that exceed 7½% of their adjusted gross income.

Data on Use

Few surveys ask about FSAs, and those that do obtain only limited information. Although surveys yield similar findings about the availability of FSAs, little is known about the number and characteristics of workers who participate.

The 2002 Medical Expenditure Panel Survey (MEPS) found that 11% of private-sector establishments offered an FSA to their workers. FSAs are more common in larger firms; FSAs were offered in 47% of large-firm establishments (50 or more workers) but in only 3% of small-firm establishments.¹³ Similarly, a greater percentage of employees had access to an FSA if they worked in a large-firm establishment instead of a small one. In establishments with fewer than 50 employees, 7% of workers had access, compared to 57% of workers in establishments with at least 50 employees. Overall, 39% of private-sector employees could establish an FSA, according to MEPS.

Only 36% of eligible employees participate in a health care FSA, according to one 2003 survey. Reasons for low FSA participation include employee perceptions of complexity, concerns about end-of-year forfeitures, and limited employer encouragement. For lower income employees, the tax savings may not be sufficient incentive to participate. Among those who participated, the average employee

¹²A \$5,000 limit applies to dependent care FSAs. The latter are governed by Section 129, which includes that limit.

¹³CRS calculations were made from a MEPS-Insurance Component table provided by statisticians at the Agency for Healthcare Research and Quality. The percentages pertain to establishments that provided information regarding the fringe benefits they offer.

contribution was \$1,136. On average, in 2002, 2% of total contributions were forfeited back to the employer at the end of the year.¹⁴

The modest participation levels suggest that early concerns about the extent to which FSAs would reduce tax revenue may have been exaggerated. In 1985, a congressionally mandated study concluded that forfeitable FSAs would increase health expenditures by approximately 4% and 6%, depending on an employee's health plan, and that revenue loss would be \$7 billion (in 1983 dollars).¹⁵ However, the study assumed that all employees with employment-based health insurance would eventually have FSAs. Moreover, the revenue estimate did not reflect any reduction in health care use from additional cost-sharing requirements that employers sometimes impose when implementing FSAs. These reductions would partially offset increases in health care use due to funding FSAs with pre-tax dollars.¹⁶

Federal government employees can enroll in an FSA.¹⁷ The FSA program was introduced with an initial effective date of July 1, 2003. Nearly 32,000 federal employees participated in the health care FSA in 2003. Approximately one in eight forfeited some amount at the end of 2003. The average forfeiture per participant was \$220. Following the open season for 2004 enrollment, the number of health care FSA enrollees increased to 133,000.

Principle Rules Regarding FSAs

Eligibility

Eligibility for FSAs is limited to employees whose employers offer plans; people who are self-employed or unemployed generally cannot participate. However,

¹⁴Mercer Human Resource Consulting's 2003 National Survey of Employer-Sponsored Health Plans.

¹⁵U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation. A Study of Cafeteria and Flexible Spending Accounts, July 1985, pp. 18 and 20. The study was mandated by Section 531(b)(6) of the Deficit Reduction Act of 1984 (P.L. 98-369). The three prototype health plans on which the study was based had deductibles of \$0/\$0, \$150/\$300 and \$150/\$300 for individuals and families, respectively; 15% coinsurance; and cost-sharing maximums of \$150/\$300, \$500/\$1,000, and no limit.

¹⁶For a critical review of the congressionally mandated study, see Daniel C. Schaffer and Daniel M. Fox, Tax Law as Health Policy: A History of Cafeteria Plans 1978-1985, *The American Journal of Tax Policy*, v. 8, spring 1989, p. 47.

¹⁷According to the Office of Personnel Management (OPM), nearly all executive-branch agencies participate in the FSA program. Several independent agencies, such as the Federal Reserve System and the Farm Credit Administration, do not participate. The House of Representatives is the only legislative-branch agency not to participate, but the House will join the program for the plan year beginning Jan. 1, 2005. The federal judiciary does not participate.

former employees can be eligible provided the plan is not established predominantly for their benefit.¹⁸ Employers may set additional conditions for eligibility.

FSAs allow coverage of a spouse and dependents. FSAs do not have to be linked with any particular type of insurance, though it is said some employers establish FSAs in order to win employee acceptance of greater cost-sharing.

Contributions

FSA contributions may be made by employers (through nonelective payments), employees (through salary reduction plans), or both. FSA contributions occur during the plan year, which is usually a calendar year. Since most FSAs are funded through salary reductions, contributions typically occur pro-rata throughout the year.

The IRS imposes no specific dollar limit on health care FSA contributions, though plans typically have a dollar or percentage maximum for elective contributions made through salary reductions. Employers set limits to reduce losses from employees who quit or die when their withdrawals (which might total the year's allowable draw) exceed their contributions from salary reductions.

Qualifying Expenses

Under IRS guidelines, health care FSAs can be used for any unreimbursed (and unreimbursable) medical expense that is deductible under Section 213 of the Internal Revenue Code, with several important exceptions.¹⁹ One exception disallows their use for long-term care and for other health insurance coverage, including premiums for any employer plan. Employers may add their own limitations.

The restriction against paying health insurance premiums can be circumvented if the employer offers a separate premium conversion plan. This arrangement allows employees to pay their premiums through what are deemed to be pre-tax salary reductions. For example, if employees pay \$600 a year for health insurance (with their employer paying the balance), their payment can be considered to be made directly by their employer (and so exempt from income and employment taxes) instead of included in their wages (and so taxable). Premium conversion plans are common among businesses that offer health insurance, particularly among large companies. The federal government implemented a premium conversion plan in October 2000.

Nonqualified Withdrawals

FSA funds may be used only for qualifying expenses, as defined above; they cannot be withdrawn for other purposes. To ensure compliance, reimbursement

¹⁸49 *Federal Register* 19321, Q and A 4.

¹⁹Allowable expenses are discussed in an IRS publication number 502, *Medical and Dental Expenses*, which is available at [<http://www.irs.gov/pub/irs-pdf/p502.pdf>].

claims must be accompanied by a written statement from an independent third party (e.g., a receipt from a health care provider).

Carryover of Unused Funds

FSA balances unused at the end of the year are forfeited to the employer; they cannot be carried over. However, since employees can control how much is contributed to FSAs through salary reduction plans, in effect they can “carry over” amounts they do not anticipate using by not putting them in the account in the first place.

Current Legislation

Until his most recent budget proposal (FY2005), President Bush’s annual submissions sought to allow up to \$500 in unused balances in health care FSAs to be carried over to the following year without being taxed, to be distributed to participants (in which case they would be taxed), or to be rolled over into certain qualified deferred compensation plans (Section 401(k), 403(b), and 457(b) plans).

An amended version of H.R. 4279, which passed the House on May 12, would allow up to \$500 in unused balances in health care FSAs to be rolled over to the following year or into a Health Savings Account.²⁰ This is the only legislative proposal to have been voted on in 2004 that directly affects health care FSAs.

Conclusion

FSAs can provide tax savings for the first dollars of health care expenditures that people have each year. In contrast, taxpayers normally are allowed to deduct medical expenses only to the extent they exceed 7½% of adjusted gross income, and then only if the taxpayer itemizes deductions. The more favorable treatment for FSAs might be justified since participants generally assume additional financial risk for their health care. Some might question, however, whether the savings are proportional to the risk and whether they are equitable among people of similar incomes. This issue might be considered as Congress continues to review the tax treatment of health insurance and health care expenses.

²⁰For more information about Health Savings Accounts, see CRS Report RL32467, *Health Savings Accounts*, by Bob Lyke, Chris Peterson, and Neela Ranade.

APPENDIX D

Excerpts from House Bill 269 - 2003 Regular Session

29. As provided in Part V, Funds Transfer, of this Act, any funds remaining in flexible spending accounts of employees of local school districts for calendar year 2003 shall also be transferred to the credit of the General Fund.

30. Notwithstanding KRS 139.340, a commercial printer or mailer engaged in business in this state shall not be required to collect use tax on sales of printing or direct mail advertising materials that are both printed out of state and delivered out of state to the United States Postal Service for mass mailing to third-party Kentucky residents who are not purchasers of the advertising materials if the commercial printers or mailers:

(a) Maintain records relating to these sales to assist in the collection of the use tax owed; and

(b) File reports as provided in KRS 139.730 if requested by the Revenue Cabinet.

If the commercial printer or mailer complies with these reporting provisions, the purchaser of the printing or direct mail advertising materials described in this section shall have sole responsibility for payment of the use tax imposed in KRS 139.310.

31. Notwithstanding KRS 48.705(2)(a), within 30 days of the end of fiscal year 2002-2003, the Secretary of the Finance and Administration Cabinet shall cause to be deposited to the Budget Reserve Trust Fund Account 100 percent of all General Fund revenue receipts in excess of the revenue estimates determined under KRS 48.120(3), or the amount subsequently certified by the State Budget Director pursuant to KRS 48.400(3) for the fiscal year just ended, and 100 percent of the unexpended balance of all General Fund appropriations for the fiscal year just ended that would otherwise lapse to the General Fund Surplus Account under KRS 45.229. The deposit to the Budget Reserve Trust Fund shall exclude the amount of General Fund surplus designated for budgeted purposes. Notwithstanding provisions in Part X, General Fund Surplus Expenditure Plan, and other parts of this Act, the amount from the undesignated fiscal year 2002-2003 General Fund balance (General Fund Surplus Account, KRS 48.700) that is designated

K.	PERSONNEL CABINET		
1.	Flexible Spending Account (KRS 18A.225(2)(g))	13,000,000	1,326,000
2.	Health Purchasing Alliance Refund (KRS 304.17A-071)	3,630,200	
3.	State Employees Workers' Compensation Reserve (KRS 18A.370 to 18A.385)	4,000,000	
4.	Personnel - General Operations Trust Funds	347,600	
5.	General Operations Agency Revenue Funds	50,000	
6.	General Operations Insurance Administration Funds	60,000	
L.	POSTSECONDARY EDUCATION		
1.	Council on Postsecondary Education Agency Revenue Funds	92,100	
2.	Council on Postsecondary Education Student Financial Aid and Advancement Trust Fund (KRS 164.7911 and 164.7927)	406,200	
3.	Council on Postsecondary Education Adult Education and Literacy Funding Program (KRS 164.041)	245,000	
4.	Council on Postsecondary Education University Equine Program Trust Fund (KRS 138.510(6))	48,500	

<http://www.lrc.ky.gov/record/03rs/HB269/bill.doc>

APPENDIX E

Excerpts from OMB Circular A-87

12. "Federally recognized Indian tribal government" means the governing body or a governmental agency of any Indian tribe, band, nation, or other organized group or community (including any native village as defined in Section 3 of the Alaska Native Claims Settlement Act, 85 Stat. 688) certified by the Secretary of the Interior as eligible for the special programs and services provided through the Bureau of Indian Affairs.

13. "Governmental unit" means the entire State, local, or federally-recognized Indian tribal government, including any component thereof. Components of governmental units may function independently of the governmental unit in accordance with the term of the award.

14. "Grantee department or agency" means the component of a State, local, or federally-recognized Indian tribal government which is responsible for the performance or administration of all or some part of a Federal award.

15. "Indirect cost rate proposal" means the documentation prepared by a governmental unit or component thereof to substantiate its request for the establishment of an indirect cost rate as described in Attachment E of this Circular.

16. "Local government" means a county, municipality, city, town, township, local public authority, school district, special district, intrastate district, council of governments (whether or not incorporated as a non-profit corporation under State law), any other regional or interstate government entity, or any agency or instrumentality of a local government.

17. "Public assistance cost allocation plan" means a narrative description of the procedures that will be used in identifying, measuring and allocating all administrative costs to all of the programs administered or supervised by State public assistance agencies as described in Attachment D of this Circular.

18. "State" means any of the several States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, or any agency or instrumentality of a State exclusive of local governments.

C. Basic Guidelines

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.

b. Be allocable to Federal awards under the provisions of this Circular.

c. Be authorized or not prohibited under State or local laws or regulations.

d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.

e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.

f. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.

g. Except as otherwise provided for in this Circular, be determined in accordance with generally accepted accounting principles.

h. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation.

i. Be the net of all applicable credits.

j. Be adequately documented.

2. Reasonable costs. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when governmental units or components are predominately federally- funded. In determining reasonableness of a given cost, consideration shall be given to:

a. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the governmental unit or the performance of the Federal award.

b. The restraints or requirements imposed by such factors as: sound business practices; arms length bargaining; Federal, State and other laws and regulations; and, terms and conditions of the Federal award.

c. Market prices for comparable goods or services.

d. Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the governmental unit, its employees, the public at large, and the Federal Government.

e. Significant deviations from the established practices of the governmental unit which may unjustifiably increase the Federal award's cost.

3. Allocable costs.

a. A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

b. All activities which benefit from the governmental unit's indirect cost, including unallowable activities and services donated to the governmental unit by third parties, will receive an

appropriate allocation of indirect costs.

c. Any cost allocable to a particular Federal award or cost objective under the principles provided for in this Circular may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or terms of the Federal awards, or for other reasons.

d. Where an accumulation of indirect costs will ultimately result in charges to a Federal award, a cost allocation plan will be required as described in Attachments C, D, and E.

4. Applicable credits.

a. Applicable credits refer to those receipts or reduction of expenditure-type transactions that offset or reduce expense items allocable to Federal awards as direct or indirect costs. Examples of such transactions are: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the governmental unit relate to allowable costs, they shall be credited to the Federal award either as a cost reduction or cash refund, as appropriate.

b. In some instances, the amounts received from the Federal Government to finance activities or service operations of the governmental unit should be treated as applicable credits. Specifically, the concept of netting such credit items (including any amounts used to meet cost sharing or matching requirements) should be recognized in determining the rates or amounts to be charged to Federal awards. (See Attachment B, item 11, "Depreciation and use allowances," for areas of potential application in the matter of Federal financing of activities.)

D. Composition of Cost

1. Total cost. The total cost of Federal awards is comprised of the allowable direct cost of the program, plus its allocable portion of allowable indirect costs, less applicable credits.

2. Classification of costs. There is no universal rule for classifying certain costs as either direct or indirect under every accounting system. A cost may be direct with respect to some specific service or function, but indirect with respect to the Federal award or other final cost objective. Therefore, it is essential that each item of cost be treated consistently in like circumstances either as a direct or an indirect cost. Guidelines for determining direct and indirect costs charged to Federal awards are provided in the sections that follow.

E. Direct Costs

1. General. Direct costs are those that can be identified specifically with a particular final cost objective.

2. Application. Typical direct costs chargeable to Federal awards are:

a. Compensation of employees for the time devoted and identified specifically to the

unallowable.

6. Bonding costs.

a. Bonding costs arise when the Federal Government requires assurance against financial loss to itself or others by reason of the act or default of the governmental unit. They arise also in instances where the governmental unit requires similar assurance. Included are such bonds as bid, performance, payment, advance payment, infringement, and fidelity bonds.

b. Costs of bonding required pursuant to the terms of the award are allowable.

c. Costs of bonding required by the governmental unit in the general conduct of its operations are allowable to the extent that such bonding is in accordance with sound business practice and the rates and premiums are reasonable under the circumstances.

7. Communication costs. Costs incurred for telephone services, local and long distance telephone calls, telegrams, postage, messenger, electronic or computer transmittal services and the like are allowable.

8. Compensation for personal services.

a. General. Compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under Federal awards, including but not necessarily limited to wages, salaries, and fringe benefits. The costs of such compensation are allowable to the extent that they satisfy the specific requirements of this Circular, and that the total compensation for individual employees:

(1) Is reasonable for the services rendered and conforms to the established policy of the governmental unit consistently applied to both Federal and non-Federal activities;

(2) Follows an appointment made in accordance with a governmental unit's laws and rules and meets merit system or other requirements required by Federal law, where applicable; and

(3) Is determined and supported as provided in subsection h.

b. Reasonableness. Compensation for employees engaged in work on Federal awards will be considered reasonable to the extent that it is consistent with that paid for similar work in other activities of the governmental unit. In cases where the kinds of employees required for Federal awards are not found in the other activities of the governmental unit, compensation will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor

market in which the employing government competes for the kind of employees involved. Compensation surveys providing data representative of the labor market involved will be an acceptable basis for evaluating reasonableness.

c. Unallowable costs. Costs which are unallowable under other sections of these principles shall not be allowable under this section solely on the basis that they constitute personnel compensation.

d. Fringe benefits.

(1) Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave, employee insurance, pensions, and unemployment benefit plans. Except as provided elsewhere in these principles, the costs of fringe benefits are allowable to the extent that the benefits are reasonable and are required by law, governmental unit-employee agreement, or an established policy of the governmental unit.

(2) The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, sick leave, holidays, court leave, military leave, and other similar benefits, are allowable if: (a) they are provided under established written leave policies; (b) the costs are equitably allocated to all related activities, including Federal awards; and, (c) the accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the governmental unit.

(3) When a governmental unit uses the cash basis of accounting, the cost of leave is recognized in the period that the leave is taken and paid for. Payments for unused leave when an employee retires or terminates employment are allowable in the year of payment provided they are allocated as a general administrative expense to all activities of the governmental unit or component.

(4) The accrual basis may be only used for those types of leave for which a liability as defined by Generally Accepted Accounting Principles (GAAP) exists when the leave is earned. When a governmental unit uses the accrual basis of accounting, in accordance with GAAP, allowable leave costs are the lesser of the amount accrued or funded.

(5) The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance (except as indicated in section 22, Insurance and indemnification); pension plan costs (see subsection e.); and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits, whether treated as indirect costs or as direct costs, shall be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities.

e. Pension plan costs. Pension plan costs may be computed using a pay-as-you-go method or an acceptable actuarial cost method in accordance with established written policies of the governmental unit.

(1) For pension plans financed on a pay-as-you-go method, allowable costs will be limited to those representing actual payments to retirees or their beneficiaries.

(2) Pension costs calculated using an actuarial cost-based method recognized by GAAP are allowable for a given fiscal year if they are funded for that year within six months after the end of that year. Costs funded after the six month period (or a later period agreed to by the cognizant agency) are allowable in the year funded. The cognizant agency may agree to an extension of the six month period if an appropriate adjustment is made to compensate for the timing of the charges to the Federal Government and related Federal reimbursement and the governmental unit's contribution to the pension fund. Adjustments may be made by cash refund or other equitable procedures to compensate the Federal Government for the time value of Federal reimbursements in excess of contributions to the pension fund.

(3) Amounts funded by the governmental unit in excess of the actuarially determined amount for a fiscal year may be used as the governmental unit's contribution in future periods.

(4) When a governmental unit converts to an acceptable actuarial cost method, as defined by GAAP, and funds pension costs in accordance with this method, the unfunded liability at the time of conversion shall be allowable if amortized over a period of years in accordance with GAAP.

(5) The Federal Government shall receive an equitable share of any previously allowed pension costs (including earnings thereon) which revert or inure to the governmental unit in the form of a refund, withdrawal, or other credit.

f. Post-retirement health benefits. Post-retirement health benefits (PRHB) refers to costs of health insurance or health services not included in a pension plan covered by subsection e. for retirees and their spouses, dependents, and survivors. PRHB costs may be computed using a pay-as-you-go method or an acceptable actuarial cost method in accordance with established written policies of the governmental unit.

(1) For PRHB financed on a pay as-you-go method, allowable costs will be limited to those representing actual payments to retirees or their beneficiaries.

(2) PRHB costs calculated using an actuarial cost method recognized by GAAP are allowable if they are funded for that year within six months after the end of that year. Costs funded after the six month period (or a later period agreed to by the cognizant agency) are allowable in the year funded. The cognizant agency may agree to an extension of the six month period if an appropriate adjustment is made to compensate for the timing of the charges to the Federal Government and related Federal reimbursements and the governmental unit's contributions to the PRHB fund. Adjustments may be made by cash refund, reduction in current year's PRHB costs, or other equitable procedures to compensate the Federal Government for the time value of Federal reimbursements in excess of contributions to the PRHB fund.

(3) Amounts funded in excess of the actuarially determined amount for a fiscal year may be used as the government's contribution in a future period.

(4) When a governmental unit converts to an acceptable actuarial cost method and funds PRHB costs in accordance with this method, the initial unfunded liability attributable to prior years

shall be allowable if amortized over a period of years in accordance with GAAP, or, if no such GAAP period exists, over a period negotiated with the cognizant agency.

(5) To be allowable in the current year, the PRHB costs must be paid either to:

(a) An insurer or other benefit provider as current year costs or premiums, or

(b) An insurer or trustee to maintain a trust fund or reserve for the sole purpose of providing post-retirement benefits to retirees and other beneficiaries.

(6) The Federal Government shall receive an equitable share of any amounts of previously allowed post-retirement benefit costs (including earnings thereon) which revert or inure to the governmental unit in the form of a refund, withdrawal, or other credit.

g. Severance pay.

(1) Payments in addition to regular salaries and wages made to workers whose employment is being terminated are allowable to the extent that, in each case, they are required by (a) law, (b) employer-employee agreement, or (c) established written policy.

(2) Severance payments (but not accruals) associated with normal turnover are allowable. Such payments shall be allocated to all activities of the governmental unit as an indirect cost.

(3) Abnormal or mass severance pay will be considered on a case-by-case basis and is allowable only if approved by the cognizant Federal agency.

h. Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation.

(1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.

(2) No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.

(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
 - (b) A Federal award and a non-Federal award,
 - (c) An indirect cost activity and a direct cost activity,
 - (d) Two or more indirect activities which are allocated using different allocation bases, or
 - (e) An unallowable activity and a direct or indirect cost activity.
- (5) Personnel activity reports or equivalent documentation must meet the following standards:
- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
 - (b) They must account for the total activity for which each employee is compensated,
 - (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
 - (d) They must be signed by the employee.
- (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
- (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
 - (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
 - (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.
- (6) Substitute systems for allocating salaries and wages to Federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort.
- (a) Substitute systems which use sampling methods (primarily for Temporary Assistance to Needy Families (TANF), Medicaid, and other public assistance programs) must meet acceptable statistical sampling standards including:
- (i) The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results except as provided in subsection (c);

(2) "Idle facilities" means completely unused facilities that are excess to the governmental unit's current needs.

(3) "Idle capacity" means the unused capacity of partially used facilities. It is the difference between: (a) that which a facility could achieve under 100 percent operating time on a one-shift basis less operating interruptions resulting from time lost for repairs, setups, unsatisfactory materials, and other normal delays; and (b) the extent to which the facility was actually used to meet demands during the accounting period. A multi-shift basis should be used if it can be shown that this amount of usage would normally be expected for the type of facility involved.

(4) "Cost of idle facilities or idle capacity" means costs such as maintenance, repair, housing, rent, and other related costs, e.g., insurance, interest, property taxes and depreciation or use allowances.

b. The costs of idle facilities are unallowable except to the extent that:

(1) They are necessary to meet fluctuations in workload; or

(2) Although not necessary to meet fluctuations in workload, they were necessary when acquired and are now idle because of changes in program requirements, efforts to achieve more economical operations, reorganization, termination, or other causes which could not have been reasonably foreseen. Under the exception stated in this subsection, costs of idle facilities are allowable for a reasonable period of time, ordinarily not to exceed one year, depending on the initiative taken to use, lease, or dispose of such facilities.

c. The costs of idle capacity are normal costs of doing business and are a factor in the normal fluctuations of usage or indirect cost rates from period to period. Such costs are allowable, provided that the capacity is reasonably anticipated to be necessary or was originally reasonable and is not subject to reduction or elimination by use on other Federal awards, subletting, renting, or sale, in accordance with sound business, economic, or security practices. Widespread idle capacity throughout an entire facility or among a group of assets having substantially the same function may be considered idle facilities.

22. Insurance and indemnification.

a. Costs of insurance required or approved and maintained, pursuant to the Federal award, are allowable.

b. Costs of other insurance in connection with the general conduct of activities are allowable subject to the following limitations:

(1) Types and extent and cost of coverage are in accordance with the governmental unit's policy and sound business practice.

(2) Costs of insurance or of contributions to any reserve covering the risk of loss of, or damage

to, Federal Government property are unallowable except to the extent that the awarding agency has specifically required or approved such costs.

c. Actual losses which could have been covered by permissible insurance (through a self-insurance program or otherwise) are unallowable, unless expressly provided for in the Federal award or as described below. However, the Federal Government will participate in actual losses of a self insurance fund that are in excess of reserves. Costs incurred because of losses not covered under nominal deductible insurance coverage provided in keeping with sound management practice, and minor losses not covered by insurance, such as spoilage, breakage, and disappearance of small hand tools, which occur in the ordinary course of operations, are allowable.

d. Contributions to a reserve for certain self-insurance programs including workers compensation, unemployment compensation, and severance pay are allowable subject to the following provisions:

(1) The type of coverage and the extent of coverage and the rates and premiums would have been allowed had insurance (including reinsurance) been purchased to cover the risks. However, provision for known or reasonably estimated self-insured liabilities, which do not become payable for more than one year after the provision is made, shall not exceed the discounted present value of the liability. The rate used for discounting the liability must be determined by giving consideration to such factors as the governmental unit's settlement rate for those liabilities and its investment rate of return.

(2) Earnings or investment income on reserves must be credited to those reserves.

(3) Contributions to reserves must be based on sound actuarial principles using historical experience and reasonable assumptions. Reserve levels must be analyzed and updated at least biennially for each major risk being insured and take into account any reinsurance, coinsurance, etc. Reserve levels related to employee-related coverages will normally be limited to the value of claims (a) submitted and adjudicated but not paid, (b) submitted but not adjudicated, and (c) incurred but not submitted. Reserve levels in excess of the amounts based on the above must be identified and justified in the cost allocation plan or indirect cost rate proposal.

(4) Accounting records, actuarial studies, and cost allocations (or billings) must recognize any significant differences due to types of insured risk and losses generated by the various insured activities or agencies of the governmental unit. If individual departments or agencies of the governmental unit experience significantly different levels of claims for a particular risk, those differences are to be recognized by the use of separate allocations or other techniques resulting in an equitable allocation.

(5) Whenever funds are transferred from a self-insurance reserve to other accounts (e.g., general fund), refunds shall be made to the Federal Government for its share of funds transferred, including earned or imputed interest from the date of transfer.

e. Actual claims paid to or on behalf of employees or former employees for workers'

compensation, unemployment compensation, severance pay, and similar employee benefits (e.g., subsection 8.f. for post retirement health benefits), are allowable in the year of payment provided (1) the governmental unit follows a consistent costing policy and (2) they are allocated as a general administrative expense to all activities of the governmental unit.

f. Insurance refunds shall be credited against insurance costs in the year the refund is received.

g. Indemnification includes securing the governmental unit against liabilities to third persons and other losses not compensated by insurance or otherwise. The Federal Government is obligated to indemnify the governmental unit only to the extent expressly provided for in the Federal award, except as provided in subsection d.

h. Costs of commercial insurance that protects against the costs of the contractor for correction of the contractor's own defects in materials or workmanship are unallowable.

23. Interest.

a. Costs incurred for interest on borrowed capital or the use of a governmental unit's own funds, however represented, are unallowable except as specifically provided in subsection b. or authorized by Federal legislation.

b. Financing costs (including interest) paid or incurred which are associated with the otherwise allowable costs of building acquisition, construction, or fabrication, reconstruction or remodeling completed on or after October 1, 1980 is allowable subject to the conditions in (1) through (4) of this section 23.b. Financing costs (including interest) paid or incurred on or after September 1, 1995 for land or associated with otherwise allowable costs of equipment is allowable, subject to the conditions in (1) through (4).

- (1) The financing is provided (from other than tax or user fee sources) by a bona fide third party external to the governmental unit;
- (2) The assets are used in support of Federal awards;
- (3) Earnings on debt service reserve funds or interest earned on borrowed funds pending payment of the construction or acquisition costs are used to offset the current period's cost or the capitalized interest, as appropriate. Earnings subject to being reported to the Federal Internal Revenue Service under arbitrage requirements are excludable.
- (4) For debt arrangements over \$1 million, unless the governmental unit makes an initial equity contribution to the asset purchase of 25 percent or more, the governmental unit shall reduce claims for interest cost by an amount equal to imputed interest earnings on excess cash flow, which is to be calculated as follows. Annually, non-Federal entities shall prepare a cumulative (from the inception of the project) report of monthly cash flows that includes inflows and outflows, regardless of the funding source. Inflows consist of depreciation expense, amortization of capitalized construction interest, and annual interest cost. For cash flow calculations, the annual inflow figures shall be divided by the number of months in the year

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APPENDIX F

School Survey



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

November 8, 2004

Dear Superintendent:

The Auditor of Public Accounts is conducting a limited review of the Flexible Spending Account program which local school districts provide for their employees.

The focus of this review is to assess if the firm providing services on behalf of local school districts has adequate financial safeguards incorporated into their plan and contracts to protect employee funds. We are not reviewing or requesting any information on individual employees or their claims.

Please complete the attached survey and return by November 22, 2004 to:

Michelle Sutton
State Audit Branch Manager
Division of Financial Audit
Auditor of Public Accounts
105 Sea Hero Road, Suite 2
Frankfort KY 40601

If you have any questions you can contact Michelle at 502-573-0050, Ext. 279, or by fax at 502-573-0067, or by email: Michelle.Sutton@auditor.ky.gov You are also welcome to return the survey via email to Michelle.

Thank you for your assistance in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Attachment



This survey is applicable for the Plan Year 2003. This Plan Year 2003 would have closed on December 31 with 90 days after that date to file all claims.

_____ County

_____ School District

FLEXIBLE SPENDING ACCOUNT REVIEW

1. Do you contract with an outside entity to administer a flexible spending account plan for school district employees? _____ Yes _____ No

2. If yes, who? _____

Please provide a copy of the contract which describes all services.

3. How long has this entity been utilized? _____

4. Was the contract competitively bid? _____ Yes _____ No

5. Does the entity provide any other services or products to school district employees?
_____ Yes _____ No

6. If yes, please list the services: _____

7. Describe the fee schedule imposed by the outside entity for administering the flexible spending accounts: _____

8. Does the outside entity administering the flexible spending account receive an audit?
_____ Yes _____ No

9. Does the school district obtain a copy of the audit or review by an insurance regulatory agency, if performed? _____ Yes _____ No

10. What is the investment policy for the flexible spending accounts held by either the district or the contracted outside entity? _____

11. Does the outside entity administering the flexible spending account have exclusive rights to all other benefits offered to staff as identified in #5 - #6? _____ Yes _____ No

The Auditor of Public Accounts, pursuant to KRS 43:080, has the statutory authority to review the information requested in this survey.

Thank you for taking part in this survey.

APPENDIX G

School Survey Results Sorted by Vendor

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
12/16/2004	Bell	Middlesboro Ind.	Jeanne Coatney	Yes	Yes	AFIAC	11 years	No	yes	Accident /cancer /Medical /Dental, etc	\$5.00 per employee	Yes	yes	unanswered	No
11/22/2004	Hopkins	Hopkins County	n/a	Yes	Yes	AFLAC	01/01/96	Yes	Yes	Supplemental insurance - cancer, accidnet, etc.	-0-	Yes	No	State contributions for employees and individual FSA contributions are deposited in interest bearing bank accounts.	No
11/22/2004	Laurel	Laurel County	n/a	Yes	Yes	AFLAC	2000-2001	Yes	Yes	life, dental, disability, cancer, major medical	There is no fee to the school districts	No	didn't answer	non-interest bearing account	Yes
11/17/2004	Shelby	Shelby County	na	Yes	Yes	AFLAC	01/01/97	No	Yes	Cancer Insurance	\$3 per month per employee that participates	Yes	No	Non-interest bearing bank account in accordance with Dept. of Labor regulations.	No
12/16/2004	Jefferson	Anchorage	Jonathan Travis	no	Yes	AFLAC Flex One	Around 4 years	No	yes	Cancer Insurance	\$5.00 per person which is paid by the Board of Education	Yes	no	Board of Education has a non-interest bearing checking account at Commonwealth Bank in Louisville Kentucky	no
11/17/2004	Fulton	Fulton Co.	na	Yes	Yes	Amer. Fidelity Assurance Co.	since before 1998	no AGO OAG83-151 not required	Yes	Cafeteria plan services and supplemental benefits	In kind services - \$2.00/person/month is withheld from forfeitures for recordkeeping	Yes	no	Ind. Accounts are held in a non-interest bearing account. State flex accounts are invested in KEDC and Ross Sinclair. Interest earnings are distributed to districts annually	No
1/10/2005	Lewis	Lewis County	n/a	Yes	Yes	American Family Life Assurance Company (AFLAC)	01/01/00	No	Yes	Benefit and Tax Planning	\$3.00 per participant	Yes	Yes	The funds are placed in a checking account	No
12/2/2004	Ballard	Ballard County	n/a	Yes	Yes	American Fidelity	since 9/1/99	No	Yes	Supplemental benefits	In-kind services are the fee for cafeteria plan services \$2 per person, per month are withheld from forfeitures.	Yes	No	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to us annually.	No
11/24/2004	Boone	Boone County	Linda Schild?	no	Yes	American Fidelity	over 7 years	Not sure	Yes	Insurance and annuities	\$2 per employee	Yes	No	Individual accounts are held in non-interest bearing accounts; state flex accounts are invested through partnership with KEDC and Ross Sinclair.	No
11/12/2004	Bourbon	Paris Ind.	na	No	Yes	American Fidelity	Three years	No	Yes	Cafeteria plan services and Supplemental benefits	In Kind services are the fee for Cafeteria plan services \$2 per person per month is withheld from forfeitures	Yes	Yes	Individual accounts are held in non-interest bearing accounts. State flex accounts are invested through partnership with KEDC and Ross Sinclair. Interest earnings are given to the districts annually.	No

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
11/15/2004	Boyd	Ashland Independent	Phil Eason	no	Yes	American Fidelity	06/20/05	Yes	Yes	Section 125 Plan	In Kind services are the fee for Section 125 services. Two dollars per person per month for forfeitures.	Yes	No Aware of rating	Individual accounts are in non-interest accounts. State flex funds are invested through KEDC and Ross Sinclair.	No
11/15/2004	Boyle	Boyle County	n/a	Yes	Yes	American Fidelity	8 years	No	Yes	Cafeteria services and supplemental benefits	In kind services are the fee for cafeteria plan services \$2 per month is withheld from forfeitures.	Yes	No, one is available if we desire a copy	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earnings are given to the district annually.	No
11/23/2004	Breathitt	Jackson Independent	Sandra Manns	No	Yes	American Fidelity	06/21/05	Yes	Yes	Cafeteria plan services and supplemental benefits	In Kind Services are the fee for Cafeteria Plan Services	Yes	Yes	Individual accounts are held in a non-interest bearing account	No
11/15/2004	Breckinridge	Breckinridge	Debbie Critchelow	No	Yes	American Fidelity	At least since 1993	No	Yes	Flex medical/childcare Nursing home care, Annuities, Life, Cancer, Disability	None	Unsure	No	Unsure	No
12/3/2004	Carlisle	Carlisle County	n/a	yes	yes	American Fidelity	at least 5 years	No	yes	Cancer, disability, accident ins., and tax annuities	\$2.00 per month per employee	Yes	No	unanswered	No
12/15/2004	Clark	Clark Co.	Kathy Thomas	no	Yes	American Fidelity	6 years	Yes	Yes	Cafeteria plan services and supplemental benefits	In-Kind services are the fee for cafeteria plan services. \$2.00/person/month is withheld from forfeitures.	Yes	No	Individual accounts are held in non-interest bearing accounts. State Flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earning are given to the district annually.	No
11/12/2004	Clinton	131	n/a	Yes	Yes	American Fidelity	01/01/96	No	Yes	Section 125, life, cancer, disability, and annuities	They charge \$2.00 per person each month thru April 30, 2003, then effective May 1, 2003 no charge.	Yes	no	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to the Districts annually.	No
11/15/2004	Estill	Estill Co.	n/a	Yes	Yes	American Fidelity	12 years	No Bidding is not required for cafeteria plans per OAG83-151	Yes	Cafeteria plan services and supplemental insurance	In kind services are the fee for cafeteria plan services. \$2.00 per person per month is withheld from forfeitures.	Yes	Yes, generally	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earnings are given to the district annually.	No

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
11/15/2004	Fulton	Fulton Ind.	n/a	Yes	Yes	American Fidelity	12+ years	No	Yes	Cafeteria plan and supplemental benefits	In-kind services are the fee for cafeteria plan services \$2 per person, per month are withheld from forfeitures.	Yes	No	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to the Districts annually.	No
11/13/2004	Gallatin	Gallatin County	na	no	Yes	American Fidelity	3 years	Yes	Yes	Aflac, Deferred Comp	0	Yes	No	KEDC and Ross Sinclair	No
11/12/2004	Graves	Mayfield Ind.	na	No	Yes	American Fidelity	10/01/87	Didn't answer	Yes	Life, Annuity, Cancer, Disability, Childcare, Accident, etc.	\$2.00 per person	Yes	Yes	Elective contributions with maximum amount \$12,000.	Yes
11/10/2004	Greenup	Russell Ind.	na	Yes	Yes	American Fidelity	5 years	No	No		None	Unknown	No	Unknown	No
11/12/2004	Hancock	Hancock Co.	n/a	Yes	Yes	American Fidelity	since the time the state health insurance plan could be waived and put into a flex account.	No	Yes	Café plan, cancer ins. Life ins., disability ins., long-term care	n/a	?	not answered	Contracted outside agency	No
11/12/2004	Hardin	West Point	n/a	Yes	Yes	American Fidelity	2002-2004	no	yes	cancer policy, long term disability, annuity	In kind services are the fee for cafeteria plan services \$2 per person per month is withheld from forfeitures	yes	No but is available	Individual accounts are held in a non-interest bearing account. State flex accounts are invested. Interest earnings are given to the Districts annually.	No
12/6/2004	Harlan	Harlan Independent	n/a	no	Yes	American Fidelity	01/01/99	No	Yes	Cafeteria plan services and supplemental benefits	In-Kind services are the fee for cafeteria plan services. \$2.00/person/month is withheld from forfeitures.	Yes	No	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to the Districts annually.	No
11/12/2004	Hart	Hart	na	No	Yes	American Fidelity	more than 9 years	No	Yes	Section 125	None	? Do not know	No	Do not know	No
11/12/2004	Hart/Barren	Caverna Ind.	n/a	Yes	Yes	American Fidelity	Since before 1997 when I started	No	Yes	Cafeteria plan and supplemental benefits	In-kind services are the fee for cafeteria plan service \$2 per person, per month	Yes	No	Individual non-interest bearing state flex - partnership through KEDC and Ross Sinclair. Interest to district annually.	No
11/10/2004	Henery	Henry County Public	na	No	Yes	American Fidelity	3 years	No	Yes	Optional life, cancer, disability, long term care	\$0	Yes	Yes, web assessible	Partnership thru KEDC/Ross Sinclair	No
11/12/2004	Henry	Eminence Ind.	n/a	Yes	Yes	American Fidelity	3 years	No	Yes	403-B, Life Insurance, Disability, Cancer, Dental, Accident, Long term	No fee to school district	Yes	No	See attached policy - Section 4 on page 5	Yes
12/17/2004	Jackson	Jackson Co. 271	n/a	no	Yes	American Fidelity	Since 1989	No	Yes	personal unreimbursed medical, child care, administration for section 125, insurance fringe benefits	no-fee	Yes	Yes	interest bearing account	No

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
11/12/2004	Johnson	Johnson County	Valarie Blair / Shelby Coleman	No	Yes	American Fidelity	Since Jan. 1, 1991	Not required for Cafeteria plans according to OAG83-151.	Yes	Cafeteria plan services and supplemental benefits	In Kind services are the fee for Cafeteria plan services \$2 per person per month is withheld from forfeitures.	Yes	No	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earnings are given to the district annually.	No
11/15/2004	Johnson	Paintsville Ind.	n/a	Yes	Yes	American Fidelity	15 years	Yes	Yes	Cafeteria plan services and supplemental benefits	In-kind services are the fee for cafeteria plan services \$2 per person, per month are withheld from forfeitures.	Yes	No	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to the Districts annually.	No
11/12/2004	Knox	Knox	na	No	Yes	American Fidelity	20 + years	Yes	Yes	Cafeteria plan services; benefits - Life insurance, cancer, disability, dental, annuities, dependent care assistance plans, medical expenses reimbursement	None	Yes	No	Individual accounts are held in non-interest bearing accounts. State flex accounts are invested through partnership with KEDC and Ross Sinclair. Interest earnings given to us as a reduction in dues to KEDC.	No
11/15/2004	Knox	Barbourville Ind.	n/a	Yes	Yes	American Fidelity	since 1987	No	Yes	Cafeteria plan services and supplemental benefits	None	Yes	Yes	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to the Districts annually.	No
11/22/2004	Logan	Russellville Ind.	n/a	No	Yes	American Fidelity	2 years	No	Yes	Insurance products	None. Entity sells other products	Unknown	No	No investment policy	No
11/17/2004	Madison	Madison County	na	Yes	Yes	American Fidelity	20+ years	No	Yes	Cafeteria plan services and supplemental benefits	In-Kind services are the fee for cafeteria plan services. \$2.00/person/month is withheld from forfeitures.	Yes	No	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to the Districts annually.	No
12/16/2004	Magoffin	Magoffin County	Kim Patrick	yes - letter	Yes	American Fidelity	Since January 1989	No - I have not found any information that indicates it was bid.	Yes	Cafeteria plan services and supplemental services	In kind services are the fee for cafeteria plan services \$2 per person per month is withheld for forfeitures	Yes	No but they are available	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to the districts annually.	No

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
11/10/2004	McCreary	McCreary County	na	Yes	Yes	American Fidelity	01/01/99	No	Yes	Cancer Ins., Life Ins., Disability Ins., TSA's Accident, LTCare	\$2.00	Yes	No	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to Districts annually.	No
11/12/2004	McLean	McLean	na	No	Yes	American Fidelity	Since 1987	No	Yes	Cafeteria plans, Long-term care, Accident, Annuities, IRAs, Life Insurance	No fee for individual accounts. \$2 per month on the state flex that is taken out of the forfeitures.	Yes	No	Individual accounts are not invested. State flex money is invested in a partnership with KEDC & Ross Sinclair with interest returned to district.	No
11/15/2004	Menifee	Menifee County	na	Yes	Yes	American Fidelity	3 years	No	Yes	Supplemental Insurance	\$2.00 per employee per month taken from forfeitures	Yes	No	State flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earnings are given to the district annually.	No
11/15/2004	Mercer	Harrodsburg Independent	n/a	Yes	Yes	American Fidelity	2 years	No	Yes	Cafeteria plan services and supplemental benefits	no fee	Yes	No	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with the KEDC and Ross Sinclair.	No
11/15/2004	Morgan	Morgan County	n/a	Yes	Yes	American Fidelity	06/16/05	Yes	Yes	Cafeteria plan services and supplemental benefits	Our employees or district does not pay any fees for our Flex Spending Accounts	Yes	No	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earnings are given to the district annually.	No
11/12/2004	Pulaski	Pulaski County	n/a	Yes	Yes	American Fidelity	over 20 years	unknown, since no fees are charged probably not	Yes	Deffered comp., insurance, prepared child care , etc.	none	Yes	No	Individual accounts are held in non-interest bearing checking accounts	No
12/23/2004	Pulaski	Science Hill Ind.	n/a	No	Yes	American Fidelity	6 years	No	Yes	Cafeteria plan services and supplemental benefits	No fees	Yes	No	The Individual (not State) accounts are held in a non-interest bearing account. The state flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to districts annually.	No

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
11/12/2004	Taylor	Campbellsville Ind.	na	No	Yes	American Fidelity	07/01/90	Yes	Yes	Cafeteria plan services and Supplemental benefits	In Kind services are the fee for Cafeteria plan services \$2 per person per month is withheld from forfeitures	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	No, Generally not but all ratings are available.	Individual accounts are held in non-interest bearing accounts. State flex accounts are invested through partnership with KEDC and Ross Sinclair. Interest earnings are given to the districts annually.	No
12/15/2004	Webster	Providence Independent	n/a	No - note at bottom (contract is over 20 pages - do you want us to fax copy?)	Yes	American Fidelity	Over 5 years	Yes	Yes	Different types of insurance and annuity programs	Flex: \$2.00 per month	Yes	Yes	Contracted outside entity	No
11/12/2004	Whitley	Whitley	na	No	Yes	American Fidelity	01/01/87	No	Yes	Cafeteria plan services and Supplemental benefits	In Kind services are the fee for Cafeteria plan services \$2 per person per month is withheld from forfeitures	Yes	No	Individual accounts are held in non-interest bearing accounts. State flex accounts are invested through partnership with KEDC and Ross Sinclair. Interest distributed annually.	No
11/16/2004	Whitley	Corbin Ind.	N/a	No	Yes	American Fidelity	Sept. 1, 1993	No	Yes	Cafeteria plan and supplemental benefits	In-kind services are the fee for cafeteria plan services \$2 per person, per month are withheld from forfeitures.	Yes	No	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to the Districts annually.	No
12/20/2004	Christain	Christian County	n/a	no	yes	American Fidelity	at least 5 years	yes	yes	Cafeteria plan services and supplemental benefits	In Kind services for cafeteria plans. \$2.00 per person per month is withheld for forfeitures.	yes	no	Individual accounts are held in non-interest bearing account, State Flex accounts are invested through a partnership with KEDC.	No

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
11/24/2004	Trigg	Trigg County	n/a	Yes	Yes	American Fidelity Assurance Company is the plan service provider	5 years	No, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151	Yes	Cafeteria plan services and supplemental benefits	In-Kind services are fee for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The individual (not State) accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to the Districts annually.	No
12/16/2004	Mason	Mason County	Kelly Middleton	No	Yes	American Fidelity - Contract copy sent to State by American Fidelity	1991 - Contract signed every year	No	yes	Cafeteria plan services and supplemental benefits	No fee schedule	Yes	No	State flex accounts are invested through a partnership with KEDC and Ross Sinclair	No
11/22/2004	Trigg		Linda Tribble	no	Yes	American Fidelity is the plan service provider	5 years	Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151	Yes	Cafeteria plan services and supplemental benefits	In Kind services are the fee for Cafeteria plan services \$2 per person per month is withheld from forfeitures.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The individual (not State) accounts are held in a non-interest bearing account. The state flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to districts annually.	no
11/25/2004	Floyd	Floyd County	Matt Wireman	no	Yes	American Fidelity - KEDC has contract	at least 12 years	Yes per KEDC	Yes	Various Insurance and Savings plus benefits	In Kind services are the fee for Cafeteria plan services \$2 per person per month is withheld from forfeitures.	Yes	No	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earnings are given to the district annually.	No
11/12/2004	Bourbon	Bourbon	na	No	Yes	American Fidelity - previously provided contract	12/01/01	Yes	Yes	Cafeteria plan services and Supplemental benefits	In Kind services are the fee for Cafeteria plan services \$2 per person per month is withheld from forfeitures	Yes	No	Individual accounts are held in non-interest bearing accounts. State flex accounts are invested through partnership with KEDC and Ross Sinclair. Interest distributed annually.	No

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
11/15/2004	Madison	Berea Independent	n/a	Yes	Yes	American Fidelity (agreements enclosed)	Prior to 1997	No	Yes	Cafeteria plan services	In kind services are the fee for cafeteria plan services. \$2.00 per person per month is withheld from forfeitures.	Yes	No, is available on request.	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earnings are given to the district annually.	No
12/3/2004	Garrard	Garrard County	n/a	no	yes	American Fidelity Assurance	10/01/91	Yes	yes	supplement benefits	In-Kind services are fee for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The individual (not State) accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to the Districts annually.	No
11/19/2004	Knott	Knott County	n/a	No	Yes	American Fidelity Assurance	Since flexible spending account has been implemented by the state	No	Yes	Section 125 plan and voluntary products	\$2.00 per employee per month for record keeping In-kind services for risk.	Yes	Yes	State money is invested with Ross Sinclaire and KEDC and interest earned is returned to the district	No
12/15/2004	Pike	Pikeville Independent	Patricia Burchett	No	Yes	American Fidelity Assurance	Aug. 1, 1988	unanswered	Yes	Annuity plans and insurance	\$2 per month per employee	Unsure	unanswered	unanswered	No
12/20/2004	Harlan	Harlan County	n/a	no	yes	American Fidelity Assurance	7 years	No	Yes	Life, disability Ins.	no fee	no	no	n/a	no
12/20/2004	Lawrence	Lawrence County	n/a	Yes	Yes	American Fidelity Assurance Co.	Since 11/1/88	Yes	Yes	Cafeteria plan services and supplemental benefits	n/a - no fee for services	Yes	no	The district uses Kentucky Educational Development Corporation to provide bank for the account and they pay interest back to the district	No

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
12/16/2004	Hopkins	Dawson Springs Independent	Janice Moore	no	Yes	American Fidelity Assurance Company is the plan service provider	Since 10/1/86	Yes, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151.	Yes	Cafeteria plan services and supplemental benefits	In Kind services are the fee for risk insurance services (if purchased). \$2.00 per person per month is withheld from forfeitures for record keeping service.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The Individual (not State) accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to districts annually.	No
11/12/2004	Boyd	Boyd County	n/a	Yes	Yes	American Fidelity Assurance Company	4 years	No	Yes	Disability, life, accident, and cancer insurance policies and annuities	None	Yes	No	Unknown	No
12/15/2004	Breathitt	Breathitt County	Darnell McIntosh	yes	Yes	American Fidelity Assurance Company	unanswered	no	Yes	Section 125	\$2 per month per employee	No	No	KEDC Trust - Interest is given to the district.	No
11/17/2004	Calloway	Calloway County	na	Yes	Yes	American Fidelity Assurance Company	10/01/86	No	Yes	Cafeteria plan services and supplemental benefits	No fee - \$2 per person per month withheld from forfeitures	Yes	No	The Individual (not State) accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to districts annually.	No
11/16/2004	Casey	Casey	n/a	Yes	Yes	American Fidelity Assurance Company	Various	Yes, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151	Yes	life, cancer, disability insurance and amenities	There is no fee to the district for this service. \$2.00 per person per month is withheld from forfeitures.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	No, but ratings are available	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to the Districts annually.	No
11/12/2004	Daviess	Owensboro Ind.	Maxine S. Walker	No	Yes	American Fidelity Assurance Company	06/06/05	No (Board Approved)	Yes	Cancer, Disability, Life, and Long-term Care policies	No charge to district	Yes	Yes	Guaranteed interest bearing account	No
12/15/2004	Hardin	Elizabethtown Independent	Denise Morgan	no	Yes	American Fidelity Assurance Company	3 years	No	Yes	Long & short term disability, Cancer Insurance, Dental, Longterm care insurance, dependent care and Medical reimbursement accounts	0	Yes	No	interest bearing account	No

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
11/17/2004	LaRue	LaRue County	Kay Bryant	no	Yes	American Fidelity Assurance Company	1st used in October 2002 for 2003 service	No	Yes	cancer, life, disability, long-term care, annuities, accident	The State plan is charged \$2.00 per person per month. The employee's individual account is free	Yes	No	The State plan is invested through a partnership with KEDC and Ross Sinclair. The individual plans are held in escrow.	No
11/16/2004	Livingston	Livingston County	Faye Parrish	Yes	Yes	American Fidelity Assurance Company	Since first year flex was offered.	No	Yes	Cafeteria plan services and supplemental benefits	\$2.00 per person per month is withheld from forfeitures for recordkeeping services	Yes, American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	no - ratings are available	State flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earnings are given to the districts annually. Individual accots. Are held in non-interest bearing accounts.	No
11/12/2004	Marion	Marion County	Roger Marcum	Yes	Yes	American Fidelity Assurance Company	16 years	No	Yes	All types of specialized medical insurance, dependent care reimbursement, disability insurance, annuity plans (403b and 457)	None	Yes	No	None	No
11/23/2004	Pike		Jamie Burke	no	Yes	American Fidelity Assurance Company	Around 1990	No	Yes	Cancer, Disability, Life and Annunites	\$2.00 per month per participant for record keeping	Yes	yes	Invested with Ross Sinclair throught KEDC and interest is returned to school districts	no
11/16/04 and 11/17/2004	Powell	Powell County	na	Yes / no	Yes	American Fidelity Assurance Company	2 years and another says 1 year	Negotiated through KEDC and no	Yes	Cafeteria plan services and supplemental benefits; then it says to refer to contract	Employees = Zero Expense; No fee charged	Yes and No	No, All rating are available from American Fidelity	Individual accounts are held in a non-interest bearing account and Employee receives flex amount processed with claim form.	No
11/15/2004	Rockcastle	Rockcastle County	n/a	Yes	Yes	American Fidelity Assurance Company	approximately 10 years	No	Yes	Cafeteria plan and supplemental benefits	In-kind services are the fee for cafeteria plan services \$2 per person, per month are withheld from forfeitures.	Yes	No	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest are received annually.	No
11/12/2004	Barren	Glasgow Independent Schools	na	No	Yes	American Fidelity Assurance Company	Prior to 1990	No	Yes	Cafeteria plan services and Supplemental benefits	\$2 per person per month is withheld from forfeitures for the flexible spending accounts	Yes	No, but yes, if requested.	Individual accounts are not invested. State flex money is invested in a partnership with KEDC & Ross Sinclair. Proceeds are distributed annually.	No
11/15/2004	Cumberland	Cumberland	n/a	Yes	They answered No, but answered the rest of the questions	American Fidelity Assurance Company	5 years	No	Yes	Life ins., Cancer, Disability, annuities, long term care	In kind services are the fee for cafeteria plan services. \$2.00 per person per month is withheld from forfeitures.	Yes	No but is available	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earnings are given to the district annually.	No

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
11/15/2004	Hickman	Hickman County	n/a	yes - recordkeeping agreement	Yes	American Fidelity Assurance Company	9 years	No	Yes	Cafeteria plan administrator	None	No	No	Contributions are held in non-interest bearing accounts.	No
11/12/2004	Letcher	Jenkins Independent	n/a	Yes	Yes	American Fidelity Assurance Company	Two years	No	Yes	Cafeteria plan services and supplemental benefits	In-kind services are the fee for cafeteria plan services \$2 per person, per month are withheld from forfeitures.	Yes	No	The individual (not-state) accounts are held in a non-interest bearing account. The state flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earnings are given to the district annually.	No
11/30/2004	Lee	Lee County	Zina Gibson	No	Yes	American Fidelity Assurance Company is the plan provider	10/01/84	No, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151	Yes	Cafeteria plan services and supplemental benefits	In-Kind services are free for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The individual (not-state) accounts are held in a non-interest bearing account. The state flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earnings are given to the district annually.	No
11/15/2004	Mercer	Mercer County	n/a	Yes	Yes	American Fidelity Assurance Company is the plan provider	01/01/99	No OAG83-151	Yes	Cafeteria plan services and supplemental benefits	In kind services are the fee for cafeteria plan services. \$2.00 per person per month is withheld from forfeitures.	Yes	Yes, Generally, although it may not contain all ratings	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earnings are given to the district annually.	No
11/12/2004	Bell	Pineville Independent	n/a	Yes	Yes	American Fidelity Assurance Company is the plan service provider	09/01/92	Yes, Bidding is not required for cafeteria plans in accordance with the Attorney General Opinion OAG83-151	Yes	Cafeteria plan services and supplemental benefits	In-Kind services are free for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The individual (not-state) accounts are held in a non-interest bearing account. The state flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earnings are given to the district annually.	No

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
11/19/2004	Boyd	Fairview	n/a	Yes	Yes	American Fidelity Assurance Company is the plan service provider	10/01/99	Yes Bidding is not required for cafeteria plans in accordance with OAG83-151	Yes	Cafeteria plan services and supplemental benefits	In-Kind services are free for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The individual (non-state) accounts are held in a non-interest bearing account. The state flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earnings are given to the district annually.	No
11/29/2004	Caldwell	81	Diana Yonts	no - letter from American Fidelity	Yes	American Fidelity Assurance Company is the plan service provider	Since 1984 except for a few years	Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151	Yes	Cafeteria plan services and supplemental benefits	In-Kind services are free for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The individual (non-state) accounts are held in a non-interest bearing account. The state flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earnings are given to the district annually.	No
11/18/2004	Clay	Clay County	na	No	Yes	American Fidelity Assurance Company is the plan service provider	01/01/00	No, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151.	Yes	Cafeteria plan services and supplemental benefits	In-Kind services are the fee for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The Individual (not State) accounts are held in a non-interest bearing account. The state flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to districts annually.	No

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
11/10/2004	Crittenden	Crittenden	Brent Highfill	No	Yes	American Fidelity Assurance Company is the plan service provider	10+ years	Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151	Yes	Cafeteria plan services and Supplemental benefits	In-Kind services are the fee for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The Individual (not State) accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to Districts annually.	No
11/15/2004	Daviess	Daviess	Debbie Foreman	No	Yes	American Fidelity Assurance Company is the plan service provider	12/31/96	Yes, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151.	Yes	Cafeteria plan services and Supplemental benefits	In-Kind services are the fee for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The Individual (not State) accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to Districts annually.	No
12/17/2004	Fleming	Fleming County	Jeff Burke	no	Yes	American Fidelity Assurance Company is the plan service provider	unanswered	Yes, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151.	Yes	Cafeteria plan services and supplemental benefits	In-Kind services are the fee for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The Individual (not State) accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to districts annually.	No

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
11/12/2004	Grayson	Grayson	na	No	Yes	American Fidelity Assurance Company is the plan service provider	11/01/85	No, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151.	Yes	Cafeteria plan services and Supplemental benefits	In-Kind services are the fee for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The Individual (not State) accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to Districts annually.	No
11/15/2004	Henderson	Henderson County	Walter V. Spencer, CPA	Yes	Yes	American Fidelity Assurance Company is the plan service provider	Since 1998	No Bidding is not required for cafeteria plans in accordance with OAG83-151	Yes	Cafeteria plan services and supplemental benefits	There are no fees charged for this service.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed annually by A.M.Best, Standard and Poor's, and the Insurance Market Standards Association.	No	The individual (not-state) accounts are held in a non-interest bearing account. The state flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earnings are given to the district annually.	No
11/17/2004	McCracken	McCracken County	na	No	Yes	American Fidelity Assurance Company is the plan service provider	Since allowed to waive health insurance and amount in the flex spending account	Yes, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151.	Yes	Cafeteria plan services and supplemental benefits	In-Kind services are the fee for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The Individual (not State) accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to districts annually.	No

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
11/17/2004	Nelson	Bardstown Ind.	Peggy Johnson	No	Yes	American Fidelity Assurance Company is the plan service provider	10/01/84	Yes, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151.	Yes	Cafeteria plan services and supplemental benefits	In-Kind services are the fee for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The Individual (not State) accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to districts annually.	No
11/19/2004	Owen	Owen County	Barbara Sharp	no	yes	American Fidelity Assurance Company is the plan service provider		No, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151.	Yes	Cafeteria plan services and supplemental benefits	In-Kind services are the fee for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The Individual (not State) accounts are held in a non-interest bearing account. The state flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to districts annually.	no
11/12/2004	Scott	Scott	R. Catright	No	Yes	American Fidelity Assurance Company is the plan service provider	06/15/05	Yes, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151.	Yes	Cafeteria plan services and Supplemental benefits	In-Kind services are the fee for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The Individual (not State) accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to districts annually.	No

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
11/17/2004	Todd	Todd	na	no	Yes	American Fidelity Assurance Company is the plan service provider		Yes, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151.	Yes	Cafeteria plan services and Supplemental benefits	In-Kind services are the fee for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The Individual (not State) accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to districts annually.	No
11/17/2004	Trimble	Trimble County	Kay Bishop	no	Yes	American Fidelity Assurance Company is the plan service provider	10/1/84-9/30/99, 1/1/03-present	Yes, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151.	Yes	Cafeteria plan services and supplemental benefits	In-Kind services are the fee for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The Individual (not State) accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to districts annually.	No
11/10/2004	Union	Union County	David Waggener	No	Yes	American Fidelity Assurance Company is the plan service provider	03/01/00	Yes, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151.	Yes	Cafeteria plan services and Supplemental benefits	In-Kind services are the fee for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The Individual (not State) accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to Districts annually.	No

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
11/12/2004	Webster	Webster	Na	No	Yes	American Fidelity Assurance Company is the plan service provider	11/01/86	Yes, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151.	Yes	Cafeteria plan services and Supplemental benefits	In-Kind services are the fee for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The Individual (not State) accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to Districts annually.	No
11/12/2004	Wolfe	Wolfe	na	No	Yes	American Fidelity Assurance Company is the plan service provider	10/01/03	Yes, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151.	Yes	Cafeteria plan services and Supplemental benefits	In-Kind services are the fee for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The Individual (not State) accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to districts annually.	No
11/18/2004	Perry	Perry County	na	Yes	Yes	American Fidelity Assurance Corp	Since first year flex accounts were initiated.	No	Yes	Cafeteria plan services and supplemental benefits	In Kind services are the fee for risk insurance services. Two dollars per month is withheld for record keeping service.	Yes	Yes	State flex accounts are invested through a partnership with the KEDC and Ross Sinclair and Associates. Interest is given to the district.	No
11/9/2004	Lyon	Lyon County	na	Yes	Yes	American Fidelity Assurance services	Since 1992	No	Yes	Section 125 Administration	None	No	No	Utilized through the West Kentucky Educational Cooperative	No
11/9/2004	Graves	Graves County	Rodney Pearce	No	Yes	American Fidelity Educational Services	12/01/00	Yes	Yes	Section 125 Cafeteria plan, Misc. Supplemental Health and Life Insurances and Investment Options.	\$2.00 per employee/month from total account	Yes	No	The funds are not invested, but held in escrow.	No

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
11/12/2004 and 11/16/2004	Boyle	Danville	na	No then yes	Yes	American Fidelity is the plan service provider	15 + years	No, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151.	Yes	Cafeteria plan services and Supplemental benefits	In-Kind services are the fee for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The Individual (not State) accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to districts annually.	No
11/12/2004	Elliott	Elliott County	n/a	Yes	Yes	American Fidelity is the plan service provider	Various	In most cases the answer is "Yes" although bidding is not required for cafeteria plans in accordance with the Attorney General Opinion OAG83-151	In most cases the answer is Yes	Cafeteria plan services and supplemental benefits	In-kind services are the fee for cafeteria plan services \$2 per person, per month are withheld from forfeitures.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to the Districts annually.	No
11/22/2004	Montgomery	Montgomery County	n/a	Yes	Yes	American Fidelity is the plan service provider	Two years	No	In most cases the answer is Yes	Cafeteria plan services and supplemental benefits	In kind services are the fee for cafeteria plan services. Two dollars per person per month is withheld from forfeitures.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earnings are given to the district annually.	No

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
11/12/2004	Robertson	Robertson	na	Yes	Yes	American Fidelity is the plan service provider	17 years for cafeteria plan, 5 years for flexible spending	Yes, although bidding is not required for Cafeteria plans according to the AG opinion 83-151.	Yes	Cafeteria plan services and Supplemental benefits	In Kind services are the fee for Cafeteria plan services \$2 per person per month is withheld from forfeitures	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	No	Individual accounts are held in non-interest bearing accounts. State flex accounts are invested through partnership with KEDC and Ross Sinclair. Interest earnings are given to the districts annually.	No
11/22/2004	Spencer	541	n/a	Copy of the contract was forwarded directly to your agency from American Fidelity	Yes	American Fidelity is the plan service provider	Various	Yes	Yes	Cafeteria plan services and supplemental benefits	In kind services are the fee for cafeteria plan services, \$2 per person per month is withheld from forfeitures.	Yes	No	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to the Districts annually.	No
11/9/2004	Leslie	Leslie County	na	No	Yes	American Fidelity is the Plan Services provider	Various	Yes	Yes	Cafeteria plan services and Supplemental benefits	In-Kind services are the fee for cafeteria plan services. \$2.00/person/month is withheld from forfeitures.	Yes	Yes, but not all ratings are available.	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to Districts annually.	No
11/10/2004	Marshall	Marshall County	Jill Morris	Yes	Yes	American Fidelity is the plan services provider	10/01/88	Yes, although bidding is not required for Cafeteria plans according to the AG opinion 83-151. In addition, the District formally reviewed plans once again in June 2001. The committee was composed of approximately 15 certified and classified staff member	Yes	Cafeteria plan services and Supplemental benefits	In-Kind services are the fee for cafeteria plan services. \$2.00/person/month is withheld from forfeitures.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to Districts annually.	No

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
11/9/2004	Washington	Washington County	Ruth Cocanougher	No	Yes	American Fidelity is the plan services provider	Various	In most cases the answer is "yes" although bidding is not required for Cafeteria plans according to the Attorney General Opinion OAG83-151	In most cases the answer is Yes	Cafeteria plan services and Supplemental benefits	In-Kind services are the fee for cafeteria plan services. \$2.00/person/month is withheld from forfeitures.	Yes. An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M. Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to Districts annually.	No
11/17/2004	Carter	Carter County	Jerry Lyons	no	Yes	American Fidelity, Statewide Contract should have been submitted to KDE	As long as the district has offered a flexible spending program.	no	Yes	Cafeteria plan services and Supplemental benefits	In Kind services are the fees for Cafeteria plan services. \$2 per month is withheld from forfeitures	Yes	Yes	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Earnings are distributed annually.	No
11/22/2004	Calloway	Murray Independent	n/a	Yes	Yes	American Fidelity	Since Oct. 1, 1988	No documentation was found regarding the bid process	Yes	Cafeteria plan services and supplemental benefits	In kind services are the fee for cafeteria plan services. Two dollars per person per month is withheld from forfeitures.	Yes	No	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings were given to the districts as of 2003.	No
11/23/04	Lincoln	Lincoln County	n/a	Yes	Yes	American Fidelity	prior to 1990	unanswered	Yes	Cafeteria plan services and supplemental benefits	In kind services are the fee for cafeteria plan services. \$2 per person per month is withheld from forfeitures.	Yes - also rated by AM Best, Standard and Poor's, Weiss, and the Insurance Markets Standard Association	No, All ratings are available	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to the Districts annually.	No
11/29/2004	Martin	Martin	Michael Kessinger	No	Yes	American Fidelity	since the beginning of Flexible Spending Account	No	Yes	Insurances	\$2.00 per person per month	Yes	No	Unknown	No
11/22/2004	Rowan	Rowan County	Glen Teeg ?	no	Yes	American Fidelity	6 years	Yes	Yes	Cafeteria plan services and supplemental benefits	In-Kind services are free for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes	No Available upon request	The individual (non-state) accounts are held in a non-interest bearing account. The state flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earnings are given to the district annually.	No

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
12/15/2004	Simpson	Simpson County	Jon Hall	no	Yes	Annuity Associates / AFLAC	Eight years	Yes	Yes	Cancer Policies/Medical Flex/Dependent Care Flex	\$3.00 per month	Yes	No	Checking account (non-interest bearing)	No
11/22/2004	Green	Green County	n/a	Yes	Yes	FEBCO	7 years	No	Yes	Cafeteria plan services and supplemental benefits	\$6 per person per month/ withheld from forfeitures for flex convince card and record keeping	No	No	Accounts are held in an on demand account for use with the flex card	No
11/10/2004	Jessamine	Jessamine County	Tim LeMaster	Yes	Yes	FEBCO	9+ years	Yes	No		Fees come from procees of accounts	No	No	unknown	N/A
11/10/2004	Mercer	Burgin Ind.	na	No	Yes, For Health Insurance \$234/month per employee	Febco	9 years	No	No		N/A	Yes	No	Please contact: Febco 1-800-489-1539 monies are held in an on-demand account by FEBCO	No
11/18/2004	Muhlenberg	Muhlenberg County	Jeffery Travis	yes	Yes	FEBCO	06/17/05	no (not required)	No		\$6.00/month	Do not know	No		No
11/18/2004	Woodford	Woodford Co.	na	Yes	Yes	FEBCO (effective 2004, WCBE switched carriers)	since at least the late 1980s	No	No	n/a	\$4 per month paid by participants	no	n/a	The district does not hold the FSAs. Per Frank Hatchett of FEBCO: "It is held in an on-demand account, an FDIC insured interest-bearing account at a bank."	No
11/22/2004	Allen	Allen County	n/a	Yes	Yes	FEBCO (Plan Service Provider)	14 years	No Bidding is not required for cafeteria plans in accordance with OAG83-151	Yes	Cafeteria plan services, enrollment of supplemental benefits	\$6.00 per person per month/ withheld from forfeitures for flex convince card and recordkeeping	No	No	The accounts are held in an on demand account for the use with the flex convince card	No
11/17/2004 and 11/18/04	Franklin	Frankfort Ind Board of Education	Paula Smith	Yes	Yes	FEBCO Inc. is the plan service provider	7 years	Yes, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151.	Yes	Cafeteria plan services enrollment of supplemental benefits	\$6.00 per person per month/ withheld from forfeitures for flex convince card and recordkeeping	No	No	The accounts are held in an on demand account for the use with the flex convince card	No
11/15/2004	Letcher	Letcher County	n/a	Yes	Yes	FEBCO Inc. is the plan service provider	8 years	Yes, Bidding is not required for cafeteria plans in accordance with the Attorney General Opinion OAG83-151	Yes	Cafeteria plan services, enrollment of supplemental benefits	\$6.00 per person per month/ withheld from forfeitures for flex convince card and recordkeeping	No	No	The accounts are held in an on demand account for the use with the flex convince card	No
11/19/2004	Oldham	Oldham	Gayle Johnson	Yes	Yes	FEBCO Inc. is the plan service provider	7 years	No Bidding is not required for cafeteria plans in accordance with OAG83-151	Yes	Cafeteria plan services, enrollment of supplemental benefits	\$13.00 per person per month/ withheld from forfeitures for flex convince card and recordkeeping	No	No	The accounts are held in an on demand account for the use with the flex convince card	No
11/10/2004 and 11/16/04	Anderson	Anderson County	Mark Patrick	Yes	Yes	FEBCO is the plan service provider	8 years +	No updated Yes with Bidding is not required for cafeteria plans in accordance with Attorney General Opinion OAG83-151	No then updated: with Yes	Updated Cafeteria plan services, enrollment of supplemental benefits	No fee charged to district then updated to \$6.00 per person per month/withheld from forfeitures for flex convince card and recordkeeping.	? Then updated to: NO	No	? Then updated to: The accounts are held in an on demand account for the use with the flex convince card.	No
11/12/2004	Metcalfe	Metcalfe County	Donna Caffee	Yes	Yes	FEBCO is the plan service provider	9 years	Yes, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151.	Yes	Cafeteria plan services, enrollment of supplemental benefits	\$6.00 per person per month/ withheld from forfeitures for flex convince card and recordkeeping	No	No	The accounts are held in an on demand account for the use with the flex convince card	No
11/12/2004	Taylor	Taylor County	Debbie Dennis	Yes	Yes	FEBCO is the plan service provider	9 years	Yes, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151.	Yes	Cafeteria plan services, enrollment of supplemental benefits	\$6.00 per person per month/ withheld from forfeitures for flex convince card and recordkeeping	No	No	The accounts are held in an on demand account for the use with the flex convince card	No

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
11/16/2004	Wayne	Monticello Ind.	n/a	Yes	Yes	FEBCO, Inc.	9 years	No, Bidding is not required for cafeteria plans in accordance with the Attorney General Opinion OAG83-151	Yes	Cafeteria plan services, enrollment of supplemental benefits	\$6.00 per person per month/ withheld from forfeitures for flex convince card and recordkeeping	No	No	The accounts are held in an on demand account for the use with the flex convince card	NO
11/22/2004	Carroll	Carroll County	n/a	No	Yes	FGIBA (Farris Group Integrated Benefit Administration)	3 years	Yes	Yes	Debit card, voluntary msa, child care reimbursement	\$5 per employee per month	No (Scheduled to being in 2005)	No	Funds are not invested but the bank does not charge fees for the account	No
12/6/2004	Harrison	Harrison County	Julie Asher	no-No longer using Flexwin. Cobra compliance in 2004 (Infinisource) New agreement for 2005 with American Fidelity	Yes	Flexwin (Lif Investors Ins. Co. of American)	9 years	No	No	unanswered	No fees to district or employee	?	No	No investments	No
11/12/2004	Nelson	Nelson	na	No	Yes	IBA	3 years	No	Yes	Flex debit card, Childcare & voluntary Medical Account	\$5.00 per person per month	Yes	No	Money is not invested	No
11/24/2004	Pendleton	Pendleton County	n/a	Yes	Yes	IBA Faris Group	01/01/01	No	Yes	Voluntary medicaid and child care flex benefits	Flex card \$2.00; State flex - \$5.00 fee paid by state	No, will be starting 1-1-05	Yes will be	Interest on account daily by bank only	No
11/12/2004	Breckinridge	Cloverport Ind	na	No	Yes	Integrated Benefits Administrators	6 years	No	No		No fee	Do not know	No	Do not know	No
11/18/2004	Edmonson	Edmonson County	na	No	Yes	John Madison & Associates	16 years	No	Yes	offers: Western Reserve; Oppenheimer IRA/Roth Life of Alabama, Health Resources, EMC National Line Ins./STD	1% or \$2.34/month	Yes	Yes	Funds are held in a regular checking account.	No
11/12/2004	Bullitt	Bullitt County	Keith Davis	Yes	Yes	KEDC by American Fidelity	since advent of flexible spending accounts	No - not individually by the district	Yes	KEDC provides all bidding services to district. American Fidelity is the cafeteria plan provider	There is no fee to the district for this service. \$2.00 per person per month is withheld from forfeitures.	Yes - KEDC reviews annual audit - not aware if it includes flexible spending account services. A.F. has an internal audit by an outside source	No	The funds do generate interest, which is applied to the districts' KEDC membership dues annually. Invested through partnership w/KEDC and Ross Sinclair.	No
11/18/2004	Logan	Logan County	na	no	Yes	Madison & Associates, Brownsville, KY	Nine years	No	Yes	Supplemental Insurance (dental, vision, etc)	\$2.31 per employee participant per month (1% of contribution)	no	n/a	none	No
11/12/2004	Whitley	Williamsburg Ind.	Connie Pettit	No	Yes	Mike Centers with American Fidelity	15 years	No	Yes	Cancer Ins., Disability Ins., & Annuities & Flex	No fees to employees. No fees to the employer. KEDC discount on membership	Yes	No	No policy	No
11/12/2004	Owsley	Owsley	na	No	No	n/a	n/a	No	No		n/a	No		n/a	

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
11/15/2004	Campbell	Bellevue Ind	n/a	Yes	Yes	NKCES	since 1998	No	No	unanswered	None	Yes	Yes	They utilize an interest bearing checking account and backed by suitable treasury securities and certain Kentucky municipal bonds.	No
11/12/2004	Greenup	Greenup County	Lisa Bear	Yes	Yes	NKCES	2 years; 2003-04 and 2004-05	No	No		None	Yes	Yes	District - N/A Outside Entity - Interest bearing checking account backed by securities and bonds	No
11/15/2004	Kenton	Beechwood	n/a	Yes	Yes	NKCES	Since 2000	No	No	unanswered	None	Yes	Yes	Interest bearing checking account backed by treasury securities and certain Kentucky municipal bonds.	No
11/12/2004	Boone	Walton-Verona	na	Yes	Yes	NKCES/Northern Ky Cooperative for Educational Sevices	Since 1998	No	No		None	Yes	Yes	The administrator uses an interest bearing checking account....backed by securities and bonds.	No
11/12/2004	Bracken	Bracken Co.	na	No	Yes	NKCES/Northern Ky Cooperative for Educational Sevices	1999 to current	No	No		None	Yes	Yes	NKCES Deposits funds in the bank in an interest bearing account.	No
11/12/2004	Grant	Williamstown Ind.	na	Yes	Yes	NKCES/Northern Ky Cooperative for Educational Sevices	01/01/98	No	No		None	Yes	Yes	NKCES uses an interest bearing checking account backed by suitable treasury securities; certain KY municipal bonds.	No
11/12/2004	Kenton	Kenton	Kelley Gamble	No	Yes	NKCES/Northern Ky Cooperative for Educational Sevices	7-8 years	No	Yes	Special Education, Professional Development	none	Yes	Yes	Funds are clateralized and under the same restraints as public school systems.	No
11/10/2004	Campbell	Newport Ind.	Mary McCormick	No	Yes	Northern Kentucky Cooperative for Education Sevices (NKCES)	Since 1998	No	No	N/A	N/A	Yes	Yes	Utilizing in an interest bearing checking account backed by Securitie & Kentucky Municipal Security Bonds	No
11/22/2004	Campbell	Ft. Thomas Ind.	n/a	Yes	Yes	Northern Kentucky Cooperative for Educational Sevices (NKCES)	1 year	No	No	unanswered	None	Yes	yes	Interest bearing checking account backed by suitable treasury securities and certain Kentucky municipal bonds	No
11/22/2004	Campbell	Campbell County	n/a	Yes	Yes	Northern Kentucky Cooperative for Educational Sevices (NKCES)	since 1998	No	No	unanswered	None	Yes	Yes	Interest bearing checking account backed by suitable treasury securities and certain Kentucky municipal bonds	No
11/18/2004	Fayette	Fayette County Public	na	Yes	Yes	Northern Kentucky Cooperative for Educational Sevices (NKCES)	2003 only prior to that FBMC 2000, 2001, 2002, 2004, 2005	No	No		No fee (see no. 5 in contract \$1)	Do not know	No	Contracted entity never disclosed this information - nothing in plan document. We finally received copy of Plan Document late into 2003 and it was one from 1998.	No

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
11/16/2004	Grant	201	n/a	Yes	Yes	Northern Kentucky Cooperative for Educational Services (NKCES)	Since 2000	No	No	n/a	No fees	Yes	Yes	NKCES utilizes interest bearing checking accounts that are backed by securities and bonds.	No
11/16/2004	Kenton	Ludlow Independent Schools	Robert Rouse	going to be mailed	Yes	Northern Kentucky Cooperative for Educational Services (NKCES)	since 1/1/1998	No	No		None	Yes	Yes	Interest bearing checking account backed by suitable treasury securities and certain Kentucky municipal bonds	No
11/22/2004	Kenton	Erlanger-Elsmere	Linda Godsey	Yes	Yes	Northern Kentucky Cooperative for Educational Services (NKCES)	01/01/99	No	No	unanswered	None	Yes	Yes	Interest bearing checking account backed by suitable treasury securities and certain Kentucky municipal bonds	No
11/16/2004	Campbell	Silver Grove Ind.	n/a	No	Yes	Northern Ky Coop for Ed. Services	4 years ?	No	Yes	Coop Services	7%	Yes	Yes	Money is distributed to districts	No
11/12/2004	Kenton	Covington Ind.	Sherry Boone	No	Yes	Northern KY Cooperative Services	4 years	Yes	Yes	Pre-Tax Medical, Pre-Tax Daycare	None - Just Interest earned on accounts	Yes	Yes	Interest Earned on Accounts	Yes
11/10/2004	Bracken	Augusta Independent	na	Yes	Yes	Northern KY Educational Co-op	Approximately 4 years	No	No		None	Yes	No	Unknown	No
11/15/2004	Campbell	Southgate Independent	n/a	Yes	Yes	Northern Ky. Cooperative for Educational Services	06/20/05	No	Yes	Multiple Educational services	Jan. thru Oct. 4% indirect costs and Nov. thru Dec. 7% indirect costs	Yes	no answer	no answer	no answer
11/19/2004	Campbell	Dayton Independent	n/a	Yes	Yes	Northern Ky. Cooperative for Educational Services	since 1999	No	NO	unanswered	None	Yes	Yes	Interest bearing checking account backed by suitable treasury securities and certain Kentucky municipal bonds	No
11/19/2004	Ohio	Ohio County	Brian Decker	No	No (see attached e-mail)	Self managed	3 years	No	No	unanswered	unanswered	unanswered	unanswered	Held within now account. Now account interest rate is 12 basis points above the 90 day T-bill. Only one now account for entire district.	No
11/15/2004	Barren	Barren County	n/a	Yes	Yes	Tim Davis & Associates	01/01/02	No	Yes	Unreimbursed medical and child care reimbursement	\$3.25 per month per employee	No	No	According to Tim Davis and Associates, the money is held at a local bank which is FDIC insured	Yes
11/9/2004	Meade	Meade County	na	No	Yes	Tim Davis & Associates	01/01/02	No	Yes	Section 125 Cafeteria plan;	\$2,000 annual fee for District and \$3.25 monthly fee for participating employees	No	No	Monies are held by third party administrator in a non-interest bearing checking account	? Tim Davis & Assoc. offers employee Dependent Care and Medical Reimbursement accounts. Other Section 125 benefits are offered through a different vendor.
11/17/2004	Warren	Warren County	na	Yes	Yes	Tim Davis & Associates, TPA	Since January 2002	No	No	n/a	\$3.25 per month per employee, for last 3 years. Will be \$4.00 per month per employee beginning 2005.	No	No	TPA funds keep at local bank, FDIC insured.	No
11/15/2004	Butler	Butler County	Lori Cardwell	no	Yes	Tim Davis and Associates	Recently Employed	Yes	NO		\$4.00 per month for all employees involved in flexible spending	Yes	Yes	Money held at TPA's local bank (FDIC insured)	Yes
11/15/2004	Hardin	Hardin County	n/a	Yes	Yes	Tim Davis and Associates	06/19/05	Yes	No	not answered	3.25 per month per employee	No	n/a	3rd party administrator uses local hometown bank which is insured by FDIC	No

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
11/24/2004	Monroe	Monroe County	Jennifer Corneon?	No	No	unanswered	unanswered	unanswered	unanswered	unanswered	unanswered	unanswered	unanswered	Interest bearing checking account (competitive bank bid) District has total control of funds with annual audit.	unanswered
11/10/2004	Greenup	Raceland-Worthington	na	No	No										

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APPENDIX H

School Survey Results Sorted by County

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
11/22/2004	Allen	Allen County	n/a	Yes	Yes	FEBCO (Plan Service Provider)	14 years	No Bidding is not required for cafeteria plans in accordance with OAG83-151	Yes	Cafeteria plan services, enrollment of supplemental benefits	\$6.00 per person per month/ withheld from forfeitures for flex convince card and recordkeeping	No	No	The accounts are held in an on demand account for the use with the flex convince card	No
11/10/2004 and 11/16/04	Anderson	Anderson County	Mark Patrick	Yes	Yes	FEBCO is the plan service provider	8 years +	No updated Yes with Bidding is not required for cafeteria plans in accordance with Attorney General Opinion OAG83-151	No then updated: with Yes	Updated Cafeteria plan services, enrollment of supplemental benefits	No fee charged to district then updated to \$6.00 per person per month/withheld from forfeitures for flex convince card and recordkeeping.	? Then updated to: NO	No	? Then updated to: The accounts are held in an on demand account for the use with the flex convince card.	No
12/2/2004	Ballard	Ballard County	n/a	Yes	Yes	American Fidelity	since 9/1/99	No	Yes	Supplemental benefits	In-kind services are the fee for cafeteria plan services \$2 per person, per month are withheld from forfeitures.	Yes	No	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to us annually.	No
11/12/2004	Barren	Glasgow Independent Schools	na	No	Yes	American Fidelity Assurance Company	Prior to 1990	No	Yes	Cafeteria plan services and Supplemental benefits	\$2 per person per month is withheld from forfeitures for the flexible spending accounts	Yes	No, but yes, if requested.	Individual accounts are not invested. State flex money is invested in a partnership with KEDC & Ross Sinclair. Proceeds are distributed annually.	No
11/15/2004	Barren	Barren County	n/a	Yes	Yes	Tim Davis & Associates	01/01/02	No	Yes	Unreimbursed medical and child care reimbursement	\$3.25 per month per employee	No	No	According to Tim Davis and Associates, the money is held at a local bank which is FDIC insured	Yes
11/12/2004	Bell	Pineville Independent	n/a	Yes	Yes	American Fidelity Assurance Company is the plan service provider	09/01/92	Yes, Bidding is not required for cafeteria plans in accordance with the Attorney General Opinion OAG83-151	Yes	Cafeteria plan services and supplemental benefits	In-Kind services are free for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source, American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The individual (not-state) accounts are held in a non-interest bearing account. The state flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earnings are given to the district annually.	No
12/16/2004	Bell	Middlesboro Ind.	Jeanne Coatney	Yes	Yes	AFIAC	11 years	No	yes	Accident /cancer /Medical /Dental, etc	\$5.00 per employee	Yes	yes	unanswered	No
11/12/2004	Boone	Walton-Verona	na	Yes	Yes	NKCES/Northern Ky Cooperative for Educational Sevices	Since 1998	No	No		None	Yes	Yes	The administrator uses an interest bearing checking account...backed by securites and bonds.	No
11/24/2004	Boone	Boone County	Linda Schild?	no	Yes	American Fidelity	over 7 years	Not sure	Yes	Insurance and annuities	\$2 per employee	Yes	No	Individual accounts are held in non-interest bearing accounts; state flex accounts are invested through partnership with KEDC and Ross Sinclair.	No
11/12/2004	Bourbon	Bourbon	na	No	Yes	American Fidelity - previously provided contract	12/01/01	Yes	Yes	Cafeteria plan services and Supplemental benefits	In Kind services are the fee for Cafeteria plan services \$2 per person per month is withheld from forfeitures	Yes	No	Individual accounts are held in non-interest bearing accounts. State flex accounts are invested through partnership with KEDC and Ross Sinclair. Interest distributed annually.	No
11/12/2004	Bourbon	Paris Ind.	na	No	Yes	American Fidelity	Three years	No	Yes	Cafeteria plan services and Supplemental benefits	In Kind services are the fee for Cafeteria plan services \$2 per person per month is withheld from forfeitures	Yes	Yes	Individual accounts are held in non-interest bearing accounts. State flex accounts are invested through partnership with KEDC and Ross Sinclair. Interest earnings are given to the districts annually.	No
11/12/2004	Boyd	Boyd County	n/a	Yes	Yes	American Fidelity Assurance Company	4 years	No	Yes	Disability, life, accident, and cancer insurance policies and annuities	None	Yes	No	Unknown	No
11/15/2004	Boyd	Ashland Independent	Phil Eason	no	Yes	American Fidelity	06/20/05	Yes	Yes	Section 125 Plan	In Kind services are the fee for Section 125 services. Two dollars per person per month for forfeitures.	Yes	No Aware of rating	Individual accounts are in non-interest accounts. State flex funds are invested through KEDC and Ross Sinclair.	No

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
11/19/2004	Boyd	Fairview	n/a	Yes	Yes	American Fidelity Assurance Company is the plan service provider	10/01/99	Yes Bidding is not required for cafeteria plans in accordance with OAG83-151	Yes	Cafeteria plan services and supplemental benefits	In-Kind services are free for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The individual (non-state) accounts are held in a non-interest bearing account. The state flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earnings are given to the district annually.	No
11/15/2004	Boyle	Boyle County	n/a	Yes	Yes	American Fidelity	8 years	No	Yes	Cafeteria services and supplemental benefits	In kind services are the fee for cafeteria plan services \$2 per month is withheld from forfeitures.	Yes	No, one is available if we desire a copy	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earnings are given to the district annually.	No
11/12/2004 and 11/16/2004	Boyle	Danville	na	No then yes	Yes	American Fidelity is the plan service provider	15 + years	No, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151.	Yes	Cafeteria plan services and Supplemental benefits	In-Kind services are the fee for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The Individual (not State) accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earnings are given to districts annually.	No
11/10/2004	Bracken	Augusta Independent	na	Yes	Yes	Northern KY Educational Co-op	Approximately 4 years	No	No		None	Yes	No	Unknown	No
11/12/2004	Bracken	Bracken Co.	na	No	Yes	NKCES/Northern Ky Cooperative for Educational Sevices	1999 to current	No	No		None	Yes	Yes	NKCES Deposits funds in the bank in an interest bearing account.	No
11/23/2004	Breathitt	Jackson Independent	Sandra Manns	No	Yes	American Fidelity	06/21/05	Yes	Yes	Cafeteria plan services and supplemental benefits	In Kind Services are the fee for Cafeteria Plan Services	Yes	Yes	Individual accounts are held in a non-interest bearing account.	No
12/15/2004	Breathitt	Breathitt County	Darnell McIntosh	yes	Yes	American Fidelity Assurance Company	unanswered	no	Yes	Section 125	\$2 per month per employee	No	No	KEDC Trust - Interest is given to the district.	No
11/12/2004	Breckinridge	Cloverport Ind	na	No	Yes	Integrated Benefits Administrators	6 years	No	No		No fee	Do not know	No	Do not know	No
11/15/2004	Breckinridge	Breckinridge	Debbie Critchelow	No	Yes	American Fidelity	At least since 1993	No	Yes	Flex medical/childcare Nursing home care, Annuities, Life, Cancer, Disability	None	Unsure	No	Unsure	No
11/12/2004	Bullitt	Bullitt County	Keith Davis	Yes	Yes	KEDC by American Fidelity	since advent of flexible spending accounts	No - not individually by the district	Yes	KEDC provides all bidding services to district. American Fidelity is the cafeteria plan provider	There is no fee to the district for this service. \$2.00 per person per month is withheld from forfeitures.	Yes - KEDC reviews annual audit - not aware if it includes flexible spending account services. A.F. has an internal audit by an outside source	No	The funds do generate interest, which is applied to the districts' KEDC membership dues annually. Invested through partnership w/KEDC and Ross Sinclair.	No
11/15/2004	Butler	Butler County	Lori Cardwell	no	Yes	Tim Davis and Associates	Recently Employed	Yes	NO		\$4.00 per month for all employees involved in flexible spending	Yes	Yes	Money held at TPA's local bank (FDIC insured)	Yes
11/29/2004	Caldwell	81	Diana Yontis	no - letter from American Fidelity	Yes	American Fidelity Assurance Company is the plan service provider	Since 1984 except for a few years	Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151	Yes	Cafeteria plan services and supplemental benefits	In-Kind services are free for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The individual (non-state) accounts are held in a non-interest bearing account. The state flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earnings are given to the district annually.	No
11/17/2004	Calloway	Calloway County	na	Yes	Yes	American Fidelity Assurance Company	10/01/86	No	Yes	Cafeteria plan services and supplemental benefits	No fee - \$2 per person per month withheld from forfeitures	Yes	No	The Individual (not State) accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to districts annually.	No

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
11/22/2004	Calloway	Murray Independent	n/a	Yes	Yes	American Fidelity	Since Oct. 1, 1988	No documentation was found regarding the bid process	Yes	Cafeteria plan services and supplemental benefits	In kind services are the fee for cafeteria plan services. Two dollars per person per month is withheld from forfeitures.	Yes	No	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings were given to the districts as of 2003.	No
11/10/2004	Campbell	Newport Ind.	Mary McCormick	No	Yes	Northern Kentucky Cooperative for Educational Services (NKCES)	Since 1998	No	No	N/A	N/A	Yes	Yes	Utilizing in an interest bearing checking account backed by Securities & Kentucky Municipal Security Bonds	No
11/15/2004	Campbell	Southgate Independent	n/a	Yes	Yes	Northern Ky. Cooperative for Educational Services	06/20/05	No	Yes	Multiple Educational services	Jan. thru Oct. 4% indirect costs and Nov. thru Dec. 7% indirect costs	Yes	no answer	no answer	no answer
11/15/2004	Campbell	Bellevue Ind	n/a	Yes	Yes	NKCES	since 1998	No	No	unanswered	None	Yes	Yes	They utilize an interest bearing checking account and backed by suitable treasury securities and certain Kentucky municipal bonds.	No
11/16/2004	Campbell	Silver Grove Ind.	n/a	No	Yes	Northern Ky Coop for Ed. Services	4 years ?	No	Yes	Coop Services	7%	Yes	Yes	Money is distributed to districts	No
11/19/2004	Campbell	Dayton Independent	n/a	Yes	Yes	Northern Ky. Cooperative for Educational Services	since 1999	No	NO	unanswered	None	Yes	Yes	Interest bearing checking account backed by suitable treasury securities and certain Kentucky municipal bonds	No
11/22/2004	Campbell	Ft. Thomas Ind.	n/a	Yes	Yes	Northern Kentucky Cooperative for Educational Services (NKCES)	1 year	No	No	unanswered	None	Yes	yes	Interest bearing checking account backed by suitable treasury securities and certain Kentucky municipal bonds	No
11/22/2004	Campbell	Campbell County	n/a	Yes	Yes	Northern Kentucky Cooperative for Educational Services (NKCES)	since 1998	No	No	unanswered	None	Yes	Yes	Interest bearing checking account backed by suitable treasury securities and certain Kentucky municipal bonds	No
12/3/2004	Carlisle	Carlisle County	n/a	yes	yes	American Fidelity	at least 5 years	No	yes	Cancer, disability, accident ins., and tax annuities	\$2.00 per month per employee	Yes	No	unanswered	No
11/22/2004	Carroll	Carroll County	n/a	No	Yes	FGIBA (Farris Group Integrated Benefit Administration)	3 years	Yes	Yes	Debit card, voluntary msa, child care reimbursement	\$5 per employee per month	No (Scheduled to being in 2005)	No	Funds are not invested but the bank does not charge fees for the account	No
11/17/2004	Carter	Carter County	Jerry Lyons	no	Yes	American Fidelity. Statewide Contract should have been submitted to KDE	As long as the district has offered a flexible spending program.	no	Yes	Cafeteria plan services and Supplemental benefits	In Kind services are the fees for Cafeteria plan services. \$2 per month is withheld from forfeitures	Yes	Yes	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Earnings are distributed annually.	No
11/16/2004	Casey	Casey	n/a	Yes	Yes	American Fidelity Assurance Company	Various	Yes, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151	Yes	life, cancer, disability insurance and ammenities	There is no fee to the district for this service. \$2.00 per person per month is withheld from forfeitures.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	No, but ratings are available	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to the Districts annually.	No

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
12/20/2004	Christain	Christian County	n/a	no	yes	American Fidelity	at least 5 years	yes	yes	Cafeteria plan services and supplemental benefits	In Kind services for cafeteria plans. \$2.00 per person per month is withheld for forfeitures.	yes	no	Individual accounts are held in non-interest bearing account. State Flex accounts are invested through a partnership with KEDC.	No
12/15/2004	Clark	Clark Co.	Kathy Thomas	no	Yes	American Fidelity	6 years	Yes	Yes	Cafeteria plan services and supplemental benefits	In-Kind services are the fee for cafeteria plan services. \$2.00/person/month is withheld from forfeitures.	Yes	No	Individual accounts are held in non-interest bearing accounts. State Flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earning are given to the district annually.	No
11/18/2004	Clay	Clay County	na	No	Yes	American Fidelity Assurance Company is the plan service provider	01/01/00	No, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151.	Yes	Cafeteria plan services and supplemental benefits	In-Kind services are the fee for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source, American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The Individual (not State) accounts are held in a non-interest bearing account. The state flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to districts annually.	No
11/12/2004	Clinton	131	n/a	Yes	Yes	American Fidelity	01/01/96	No	Yes	Section 125, life, cancer, disability, and annuities	They charge \$2.00 per person each month thru April 30, 2003, then effective May 1, 2003 no charge.	Yes	no	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to the Districts annually.	No
11/10/2004	Crittenden	Crittenden	Brent Highfill	No	Yes	American Fidelity Assurance Company is the plan service provider	10+ years	Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151	Yes	Cafeteria plan services and Supplemental benefits	In-Kind services are the fee for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source, American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The Individual (not State) accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to Districts annually.	No
11/15/2004	Cumberland	Cumberland	n/a	Yes	They answered No, but answered the rest of the questions	American Fidelity Assurance Company	5 years	No	Yes	Life ins., Cancer, Disability, annuities, long term care	In kind services are the fee for cafeteria plan services. \$2.00 per person per month is withheld from forfeitures.	Yes	No but is available	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earings are given to the district annually.	No
11/12/2004	Davies	Owensboro Ind.	Maxine S. Walker	No	Yes	American Fidelity Assurance Company	06/06/05	No (Board Approved)	Yes	Cancer, Discability, Life, and Long-term Care policies	No charge to district	Yes	Yes	Guaranteed interest bearing account	No
11/15/2004	Davies	Davies	Debbie Foreman	No	Yes	American Fidelity Assurance Company is the plan service provider	12/31/96	Yes, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151.	Yes	Cafeteria plan services and Supplemental benefits	In-Kind services are the fee for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source, American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The Individual (not State) accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to Districts annually.	No
11/18/2004	Edmonson	Edmonson County	na	No	Yes	John Madison & Associates	16 years	No	Yes	offers: Western Reserve; Oppenheimer IRA/Roth Life of Alabama, Health Resources, EMC National Line Ins./STD	1% or \$2.34/month	Yes	Yes	Funds are held in a regular checking account.	No
11/12/2004	Elliott	Elliott County	n/a	Yes	Yes	American Fidelity is the plan service provider	Various	In most cases the answer is "Yes" although bidding is not required for cafeteria plans in accordance with the Attorney General Opinion OAG83-151	In most cases the answer is Yes	Cafeteria plan services and supplemental benefits	In-kind services are the fee for cafeteria plan services \$2 per person, per month are withheld from forfeitures.	Yes, An internal audit is done annually by an outside source, American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to the Districts annually.	No

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
11/15/2004	Estill	Estill Co.	n/a	Yes	Yes	American Fidelity	12 years	No Bidding is not required for cafeteria plans per OAG83-151	Yes	Cafeteria plan services and supplemental insurance	In kind services are the fee for cafeteria plan services. \$2.00 per person per month is withheld from forfeitures.	Yes	Yes, generally	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earnings are given to the district annually.	No
11/18/2004	Fayette	Fayette County Public	na	Yes	Yes	Northern Kentucky Cooperative for Educational Services (NKCES)	2003 only prior to that FBMC 2000, 2001, 2002, 2004, 2005	No	No		No fee (see no. 5 in contract \$1)	Do not know	No	Contracted entity never disclosed this information - nothing in plan document. We finally received copy of Plan Document late into 2003 and it was one from 1998.	No
12/17/2004	Fleming	Fleming County	Jeff Burke	no	Yes	American Fidelity Assurance Company is the plan service provider	unanswered	Yes, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151.	Yes	Cafeteria plan services and supplemental benefits	In-Kind services are the fee for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The Individual (not State) accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to districts annually.	No
11/25/2004	Floyd	Floyd County	Matt Wireman	no	Yes	American Fidelity - KEDC has contract	at least 12 years	Yes per KEDC	Yes	Various Insurance and Savings plus benefits	In Kind services are the fee for Cafeteria plan services \$2 per person per month is withheld from forfeitures.	Yes	No	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earnings are given to the district annually.	No
11/17/2004 and 11/18/04	Franklin	Frankfort Ind Board of Education	Paula Smith	Yes	Yes	FEBCO Inc. is the plan service provider	7 years	Yes, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151.	Yes	Cafeteria plan services enrollment of supplemental benefits	\$6.00 per person per month/ withheld from forfeitures for flex convince card and recordkeeping	No	No	The accounts are held in an on demand account for the use with the flex convince card	No
11/15/2004	Fulton	Fulton Ind.	n/a	Yes	Yes	American Fidelity	12+ years	No	Yes	Cafeteria plan and supplemental benefits	In-kind services are the fee for cafeteria plan services \$2 per person, per month are withheld from forfeitures.	Yes	No	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to the Districts annually.	No
11/17/2004	Fulton	Fulton Co.	na	Yes	Yes	Amer. Fidelity Assurance Co.	since before 1998	no AGO OAG83-151 not required	Yes	Cafeteria plan services and supplemental benefits	In kind services - \$2.00/person/month is withheld from forfeitures for recordkeeping	Yes	no	Ind. Accounts are held in a non-interest bearing account. State flex accounts are invested in KEDC and Ross Sinclair. Interest earnings are distributed to districts annually	No
11/13/2004	Gallatin	Gallatin County	na	no	Yes	American Fidelity	3 years	Yes	Yes	Aflac, Deferred Comp	0	Yes	No	KEDC and Ross Sinclair	No
12/3/2004	Garrard	Garrard County	n/a	no	yes	American Fidelity Assurance	10/01/91	Yes	yes	supplement benefits	In-Kind services are fee for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The individual (not State) accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to the Districts annually.	No
11/12/2004	Grant	Williamstown Ind.	na	Yes	Yes	NKCES/Northern Ky Cooperative for Educational Services	01/01/98	No	No		None	Yes	Yes	NKCES uses an interest bearing checking account backed by suitable treasury securities; certain KY municipal bonds.	No
11/16/2004	Grant	201	n/a	Yes	Yes	Northern Kentucky Cooperative for Educational Services (NKCES)	Since 2000	No	No	n/a	No fees	Yes	Yes	NKCES utilizes interest bearing checking accounts that are backed by securities and bonds.	No
11/9/2004	Graves	Graves County	Rodney Pearce	No	Yes	American Fidelity Educational Services	12/01/00	Yes	Yes	Section 125 Cafeteria plan; Misc. Supplemental Health and Life Insurances and Investment Options.	\$2.00 per employee/month from total account	Yes	No	The funds are not invested, but held in escrow.	No
11/12/2004	Graves	Mayfield Ind.	na	No	Yes	American Fidelity	10/01/87	Didn't answer	Yes	Life, Annuity, Cancer, Disability, Childcare, Accident, etc.	\$2.00 per person	Yes	Yes	Elective contributions with maximum amount \$12,000.	Yes

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
11/12/2004	Grayson	Grayson	na	No	Yes	American Fidelity Assurance Company is the plan service provider	11/01/85	No, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151.	Yes	Cafeteria plan services and Supplemental benefits	In-Kind services are the fee for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The Individual (not State) accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to Districts annually.	No
11/22/2004	Green	Green County	n/a	Yes	Yes	FEBCO	7 years	No	Yes	Cafeteria plan services and supplemental benefits	\$6 per person per month/ withheld from forfeitures for flex convenience card and record keeping	No	No	Accounts are held in an on demand account for use with the flex card	No
11/10/2004	Greenup	Raceland-Worthington	na	No	No										
11/10/2004	Greenup	Russell Ind.	na	Yes	Yes	American Fidelity	5 years	No	No		None	Unknown	No	Unknown	No
11/12/2004	Greenup	Greenup County	Lisa Bear	Yes	Yes	NKCES	2 years; 2003-04 and 2004-05	No	No		None	Yes	Yes	District - N/A Outside Entity - Interest bearing checking account backed by securities and bonds	No
11/12/2004	Hancock	Hancock Co.	n/a	Yes	Yes	American Fidelity	since the time the state health insurance plan could be waived and put into a flex account.	No	Yes	Café plan, cancer ins, Life ins., disability ins., long-term care	n/a	?	not answered	Contracted outside agency	No
11/12/2004	Hardin	West Point	n/a	Yes	Yes	American Fidelity	2002-2004	no	yes	cancer policy, long term disability, annuity	In kind services are the fee for cafeteria plan services \$2 per person per month is withheld from forfeitures	yes	No but is available	Individual accounts are held in a non-interest bearing account. State flex accounts are invested. Interest earnings are given to the Districts annually.	No
11/15/2004	Hardin	Hardin County	n/a	Yes	Yes	Tim Davis and Associates	06/19/05	Yes	No	not answered	3.25 per month per employee	No	n/a	3rd party administrator uses local hometown bank which is insured by FDIC	No
12/15/2004	Hardin	Elizabethtown Independent	Denise Morgan	no	Yes	American Fidelity Assurance Company	3 years	No	Yes	Long & short term disability, Cancer Insurance, Dental, Longterm care insurance, dependent care and Medical reimbursement accounts	0	Yes	No	interest bearing account	No
12/6/2004	Harlan	Harlan Independent	n/a	no	Yes	American Fidelity	01/01/99	No	Yes	Cafeteria plan services and supplemental benefits	In-Kind services are the fee for cafeteria plan services. \$2.00/person/month is withheld from forfeitures.	Yes	No	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to the Districts annually.	No
12/20/2004	Harlan	Harlan County	n/a	no	yes	American Fidelity Assurance	7 years	No	Yes	Life, disability Ins.	no fee	no	no	n/a	no
12/6/2004	Harrison	Harrison County	Julie Asher	No - no longer using Flexwin. Cobra compliance in 2004 (Infinisource) New agreement for 2005 with American Fidelity	Yes	Flexwin (Lif Investors Ins. Co. of American)	9 years	No	No	unanswered	No fees to district or employee	?	No	No investments	No
11/12/2004	Hart	Hart	na	No	Yes	American Fidelity	more than 9 years	No	Yes	Section 125	None	? Do not know	No	Do not know	No
11/12/2004	Hart/Barren	Caverna Ind.	n/a	Yes	Yes	American Fidelity	Since before 1997 when I started	No	Yes	Cafeteria plan and supplemental benefits	In-kind services are the fee for cafeteria plan service \$2 per person, per month	Yes	No	Individual non-interest bearing state flex - partnership through KEDC and Ross Sinclair. Interest to district annually.	No

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
11/15/2004	Henderson	Henderson County	Walter V. Spencer, CPA	Yes	Yes	American Fidelity Assurance Company is the plan service provider	Since 1998	No Bidding is not required for cafeteria plans in accordance with OAG83-151	Yes	Cafeteria plan services and supplemental benefits	There are no fees charged for this service.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed annually by A.M.Best, Standard and Poor's, and the Insurance Market Standards Association.	No	The individual (not-state) accounts are held in a non-interest bearing account. The state flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earnings are given to the district annually.	No
11/10/2004	Henery	Henry County Public	na	No	Yes	American Fidelity	3 years	No	Yes	Optional life, cancer, disability, long term care	\$0	Yes	Yes, web assessible	Partnership thru KEDC/Ross Sinclair	No
11/12/2004	Henry	Eminence Ind.	n/a	Yes - recordkeeping agreement	Yes	American Fidelity	3 years	No	Yes	403-B, Life Insurance, Disability, Cancer, Dental, Accident, Long term	No fee to school district	Yes	No	See attached policy - Section 4 on page 5	Yes
11/15/2004	Hickman	Hickman County	n/a		Yes	American Fidelity Assurance Company	9 years	No	Yes	Cafeteria plan administrator	None	No	No	Contributions are held in non-interest bearing accounts.	No
11/22/2004	Hopkins	Hopkins County	n/a	Yes	Yes	AFLAC	01/01/96	Yes	Yes	Supplemental insurance - cancer, accidnet, etc.	-0-	Yes	No	State contributions for employees and individual FSA contributions are deposited in interest bearing bank accounts.	No
12/16/2004	Hopkins	Dawson Springs Independent	Janice Moore	no	Yes	American Fidelity Assurance Company is the plan service provider	Since 10/1/86	Yes, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151.	Yes	Cafeteria plan services and supplemental benefits	In Kind services are the fee for risk insurance services (if purchased), \$2.00 per person per month is withheld from forfeitures for record keeping service.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The Individual (not State) accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to districts annually.	No
12/17/2004	Jackson	Jackson Co. 271	n/a	no	Yes	American Fidelity	Since 1989	No	Yes	personal unreimbursed medical, child care, administration for section 125, insurance fringe benefits	no-fee	Yes	Yes	interest bearing account	No
12/16/2004	Jefferson	Anchorage	Jonathan Travis	no	Yes	AFLAC Flex One	Around 4 years	No	yes	Cancer Insurance	\$5.00 per person which is paid by the Board of Education	Yes	no	Board of Education has a non-interest bearing checking account at Commonwealth Bank in Louisville Kentucky	no
11/10/2004	Jessamine	Jessamine County	Tim LeMaster	Yes	Yes	FEBCO	9+ years	Yes	No		Fees come from procees of accounts	No	No	unknown	N/A
11/12/2004	Johnson	Johnson County	Valarie Blair / Shelby Coleman	No	Yes	American Fidelity	Since Jan. 1, 1991	Not required for Cafeteria plans according to OAG83-151.	Yes	Cafeteria plan services and supplemental benefits	In Kind services are the fee for Cafeteria plan services \$2 per person per month is withheld from forfeitures.	Yes	No	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earnings are given to the district annually.	No
11/15/2004	Johnson	Paintsville Ind.	n/a	Yes	Yes	American Fidelity	15 years	Yes	Yes	Cafeteria plan services and supplemental benefits	In-kind services are the fee for cafeteria plan services \$2 per person, per month are withheld from forfeitures.	Yes	No	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to the Districts annually.	No
11/12/2004	Kenton	Kenton	Kelley Gamble	No	Yes	NKCES/Northern Ky Cooperative for Educational Services	7-8 years	No	Yes	Special Education, Professional Development	none	Yes	Yes	Funds are clateralized and under the same restraints as public school systems.	No
11/12/2004	Kenton	Covington Ind.	Sherry Boone	No	Yes	Northern KY Cooperative Services	4 years	Yes	Yes	Pre-Tax Medical, Pre-Tax Daycare	None - Just Interest earned on accounts	Yes	Yes	Interest Earned on Accounts	Yes
11/15/2004	Kenton	Beechwood	n/a	Yes	Yes	NKCES	Since 2000	No	No	unanswered	None	Yes	Yes	Interest bearing checking account backed by treasury securities and certain Kentucky municipal bonds.	No
11/16/2004	Kenton	Ludlow Independent Schools	Robert Rouse	going to be mailed	Yes	Northern Kentucky Cooperative for Educational Services (NKCES)	since 1/1/1998	No	No		None	Yes	Yes	Interest bearing checking account backed by suitable treasury securities and certain Kentucky municipal bonds	No

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
11/22/2004	Kenton	Erlanger-Elsmere	Linda Godsey	Yes	Yes	Northern Kentucky Cooperative for Educational Services (NKCES)	01/01/99	No	No	unanswered	None	Yes	Yes	Interest bearing checking account backed by suitable treasury securities and certain Kentucky municipal bonds	No
11/19/2004	Knott	Knott County	n/a	No	Yes	American Fidelity Assurance	Since flexible spending account has been implemented by the state	No	Yes	Section 125 plan and voluntary products	\$2.00 per employee per month for record keeping in-kind services for risk.	Yes	Yes	State money is invested with Ross Sinclair and KEDC and interest earned is returned to the district	No
11/12/2004	Knox	Knox	na	No	Yes	American Fidelity	20 + years	Yes	Yes	Cafeteria plan services; benefits - Life insurance, cancer, disability, dental, annuities, dependent care assistance plans, medical expenses reimbursement	None	Yes	No	Individual accounts are held in non-interest bearing accounts. State flex accounts are invested through partnership with KEDC and Ross Sinclair. Interest earnings given to us as a reduction in dues to KEDC.	No
11/15/2004	Knox	Barbourville Ind.	n/a	Yes	Yes	American Fidelity	since 1987	No	Yes	Cafeteria plan services and supplemental benefits	None	Yes	Yes	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to the Districts annually.	No
11/17/2004	LaRue	LaRue County	Kay Bryant	no	Yes	American Fidelity Assurance Company	1st used in October 2002 for 2003 service	No	Yes	cancer, life, disability, long-term care, annuities, accident	The State plan is charged \$2.00 per person per month. The employee's individual account is free	Yes	No	The State plan is invested through a partnership with KEDC and Ross Sinclair. The individual plans are held in escrow.	No
11/22/2004	Laurel	Laurel County	n/a	Yes	Yes	AFLAC	2000-2001	Yes	Yes	life, dental, disability, cancer, major medical	There is no fee to the school districts	No	didn't answer	non-interest bearing account	Yes
12/20/2004	Lawrence	Lawrence County	n/a	Yes	Yes	American Fidelity Assurance Co.	Since 11/1/88	Yes	Yes	Cafeteria plan services and supplemental benefits	n/a - no fee for services	Yes	no	The district uses Kentucky Educational Development Corporation to provide bank for the account and they pay interest back to the district	No
11/30/2004	Lee	Lee County	Zina Gibson	No	Yes	American Fidelity Assurance Company is the plan provider	10/01/84	No, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151	Yes	Cafeteria plan services and supplemental benefits	In-Kind services are free for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The individual (not-state) accounts are held in a non-interest bearing account. The state flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earnings are given to the district annually.	No
11/9/2004	Leslie	Leslie County	na	No	Yes	American Fidelity is the Plan Services provider	Various	Yes	Yes	Cafeteria plan services and Supplemental benefits	In-Kind services are the fee for cafeteria plan services. \$2.00/person/month is withheld from forfeitures.	Yes	Yes, but not all ratings are available.	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to Districts annually.	No
11/12/2004	Letcher	Jenkins Independent	n/a	Yes	Yes	American Fidelity Assurance Company	Two years	No	Yes	Cafeteria plan services and supplemental benefits	In-kind services are the fee for cafeteria plan services \$2 per person, per month are withheld from forfeitures.	Yes	No	The individual (not-state) accounts are held in a non-interest bearing account. The state flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earnings are given to the district annually.	No
11/15/2004	Letcher	Letcher County	n/a	Yes	Yes	FEBCO Inc. is the plan service provider	8 years	Yes, Bidding is not required for cafeteria plans in accordance with the Attorney General Opinion OAG83-151	Yes	Cafeteria plan services, enrollment of supplemental benefits	\$6.00 per person per month/ withheld from forfeitures for flex convince card and recordkeeping	No	No	The accounts are held in an on demand account for the use with the flex convince card	No
1/10/2005	Lewis	Lewis County	n/a	Yes	Yes	American Family Life Assurance Company (AFLAC)	01/01/00	No	Yes	Benefit and Tax Planning	\$3.00 per participant	Yes	Yes	The funds are placed in a checking account	No
11/23/04	Lincoln	Lincoln County	n/a	Yes	Yes	American Fidelity	prior to 1990	unanswered	Yes	Cafeteria plan services and supplemental benefits	In kind services are the fee for cafeteria plan services, \$2 per person per month is withheld from forfeitures.	Yes - also rated by AM Best, Standard and Poor's, Weiss, and the Insurance Markets Standard Association	No, All rating are available	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to the Districts annually.	No

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
11/16/2004	Livingston	Livingston County	Faye Parrish	Yes	Yes	American Fidelity Assurance Company	Since first year flex was offered.	No	Yes	Cafeteria plan services and supplemental benefits	\$2.00 per person per month is withheld from forfeitures for recordkeeping services	Yes, American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	no - ratings are available	State flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earnings are given to the districts annually. Individual accots. are held in non-interest bearing accounts.	No
11/18/2004	Logan	Logan County	na	no	Yes	Madison & Associates, Brownsville, KY	Nine years	No	Yes	Supplemental Insurance (dental, vision, etc)	\$2.31 per employee participant per month (1% of contribution)	no	n/a	none	No
11/22/2004	Logan	Russellville Ind.	n/a	No	Yes	American Fidelity	2 years	No	Yes	Insurance products	None. Entity sells other products	Unknown	No	No investment policy	No
11/9/2004	Lyon	Lyon County	na	Yes	Yes	American Fidelity Assurance services	Since 1992	No	Yes	Section 125 Administration	None	No	No	Utilized through the West Kentucky Educational Cooperative	No
11/15/2004	Madison	Berea Independent	n/a	Yes	Yes	American Fidelity (agreements enclosed)	Prior to 1997	No	Yes	Cafeteria plan services	In kind services are the fee for cafeteria plan services. \$2.00 per person per month is withheld from forfeitures.	Yes	No, is available on request.	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earnings are given to the district annually.	No
11/17/2004	Madison	Madison County	na	Yes	Yes	American Fidelity	20+ years	No	Yes	Cafeteria plan services and supplemental benefits	In-Kind services are the fee for cafeteria plan services. \$2.00/person/month is withheld from forfeitures.	Yes	No	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to the Districts annually.	No
12/16/2004	Magoffin	Magoffin County	Kim Patrick	yes - letter	Yes	American Fidelity	Since January 1989	No - I have not found any information that indicates it was bid.	Yes	Cafeteria plan services and supplemental services	In kind services are the fee for cafeteria plan services \$2 per person per month is withheld for forfeitures	Yes	No but they are available	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to the districts annually.	No
11/12/2004	Marion	Marion County	Roger Marcum	Yes	Yes	American Fidelity Assurance Company	16 years	No	Yes	All types of specialized medical insurance, dependent care reimbursement, disability insurance, annuity plans (403b and 457)	None	Yes	No	None	No
11/10/2004	Marshall	Marshall County	Jill Morris	Yes	Yes	American Fidelity is the plan services provider	10/01/88 since the beginning of Flexible Spending Account	Yes, although bidding is not required for Cafeteria plans according to the AG opinion 83-151. In addition, the District formally reviewed plans once again in June 2001. The committee was composed of approximately 15 certified and classified staff member	Yes	Cafeteria plan services and Supplemental benefits	In-Kind services are the fee for cafeteria plan services. \$2.00/person/month is withheld from forfeitures.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to Districts annually.	No
11/29/2004	Martin	Martin	Michael Kessinger	No	Yes	American Fidelity		No	Yes	Insurances	\$2.00 per person per month	Yes	No	Unknown	No
12/16/2004	Mason	Mason County	Kelly Middleton	No	Yes	American Fidelity - Contract copy sent to State by American Fidelity	1991 - Contract signed every year	No	yes	Cafeteria plan services and supplemental benefits	No fee schedule	Yes	No	State flex accounts are invested through a partnership with KEDC and Ross Sinclair	No
11/17/2004	McCracken	McCracken County	na	No	Yes	American Fidelity Assurance Company is the plan service provider	Since allowed to waive health insurance and amount in the flex spending account	Yes, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151.	Yes	Cafeteria plan services and supplemental benefits	In-Kind services are the fee for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The Individual (not State) accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to districts annually.	No

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
11/10/2004	McCreary	McCreary County	na	Yes	Yes	American Fidelity	01/01/99	No	Yes	Cancer Ins., Life Ins., Disability Ins., TSA's Accident, LTCare	\$2.00	Yes	No	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to Districts annually.	No
11/12/2004	McLean	McLean	na	No	Yes	American Fidelity	Since 1987	No	Yes	Cafeteria plans, Long-term care, Accident, Annuities, IRAs, Life Insurance	No fee for individual accounts. \$2 per month on the state flex that is taken out of the forfeitures.	Yes	No	Individual accounts are not invested. State flex money is invested in a partnership with KEDC & Ross Sinclair with interest returned to district.	No
11/9/2004	Meade	Meade County	na	No	Yes	Tim Davis & Associates	01/01/02	No	Yes	Section 125 Cafeteria plan;	\$2,000 annual fee for District and \$3.25 monthly fee for participating employees	No	No	Monies are held by third party administrator in a non-interest bearing checking account	? Tim Davis & Assoc. offers employee Dependent Care and Medical Reimbursement accounts. Other Section 125 benefits are offered through a different vendor.
11/15/2004	Menifee	Menifee County	na	Yes	Yes	American Fidelity	3 years	No	Yes	Supplemental Insurance	\$2.00 per employee per month taken from forfeitures	Yes	No	State flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earnings are given to the district annually.	No
11/10/2004	Mercer	Burgin Ind.	na	No	Yes, For Health Insurance \$234/month per employee	Febco	9 years	No	No		N/A	Yes	No	Please contact: Febco 1-800-489-1539	No
11/15/2004	Mercer	Mercer County	n/a	Yes	Yes	American Fidelity Assurance Company is the plan provider	01/01/99	No OAG83-151	Yes	Cafeteria plan services and supplemental benefits	In kind services are the fee for cafeteria plan services. \$2.00 per person per month is withheld from forfeitures.	Yes	Yes, Generally, although it may not contain all ratings	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earnings are given to the district annually.	No
11/15/2004	Mercer	Harrodsburg Independent	n/a	Yes	Yes	American Fidelity	2 years	No	Yes	Cafeteria plan services and supplemental benefits	no fee	Yes	No	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with the KEDC and Ross Sinclair.	No
11/12/2004	Metcalfe	Metcalfe County	Donna Caffee	Yes	Yes	FEBCO is the plan service provider	9 years	Yes, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151.	Yes	Cafeteria plan services, enrollment of supplemental benefits	\$6.00 per person per month/ withheld from forfeitures for flex convince card and recordkeeping	No	No	The accounts are held in an on demand account for the use with the flex convince card	No
11/24/2004	Monroe	Monroe County	Jennifer Comeon?	No	No	unanswered	unanswered	unanswered	unanswered	unanswered	unanswered	unanswered	unanswered	Interest bearing checking account (competitive bank bid) District has total control of funds with annual audit.	unanswered
11/22/2004	Montgomery	Montgomery County	n/a	Yes	Yes	American Fidelity is the plan service provider	Two years	No	In most cases the answer is Yes	Cafeteria plan services and supplemental benefits	In kind services are the fee for cafeteria plan services. Two dollars per person per month is withheld from forfeitures.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earnings are given to the district annually.	No
11/15/2004	Morgan	Morgan County	n/a	Yes	Yes	American Fidelity	06/16/05	Yes	Yes	Cafeteria plan services and supplemental benefits	Our employees or district does not pay any fees for our Flex Spending Accounts	Yes	No	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earnings are given to the district annually.	No
11/18/2004	Muhlenberg	Muhlenberg County	Jeffery Travis	yes	Yes	FEBCO	06/17/05	no (not required)	No	Flex debit card, Childcare & voluntary Medical Account	\$6.00/month	Do not know	No	monies are held in an on-demand account by FEBCO	No
11/12/2004	Nelson	Nelson	na	No	Yes	IBA	3 years	No	Yes		\$5.00 per person per month	Yes	No	Money is not invested	No

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
11/17/2004	Nelson	Bardstown Ind.	Peggy Johnson	No	Yes	American Fidelity Assurance Company is the plan service provider	10/01/84	Yes, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151.	Yes	Cafeteria plan services and supplemental benefits	In-Kind services are the fee for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The Individual (not State) accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to districts annually.	No
11/19/2004	Ohio	Ohio County	Brian Decker	No	No (see attached e-mail)	Self managed	3 years	No	No	unanswered	unanswered	unanswered	unanswered	Held within now account. Now account interest rate is 12 basis points above the 90 day T-bill. Only one now account for entire district.	No
11/19/2004	Oldham	Oldham	Gayle Johnson	Yes	Yes	FEBCO Inc. is the plan service provider	7 years	No Bidding is not required for cafeteria plans in accordance with OAG83-151	Yes	Cafeteria plan services, enrollment of supplemental benefits	\$13.00 per person per month/ withheld from forfeitures for flex convince card and recordkeeping	No	No	The accounts are held in an on demand account for the use with the flex convince card	No
11/19/2004	Owen	Owen County	Barbara Sharp	no	yes	American Fidelity Assurance Company is the plan service provider		No, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151.	Yes	Cafeteria plan services and supplemental benefits	In-Kind services are the fee for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The Individual (not State) accounts are held in a non-interest bearing account. The state flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to districts annually.	no
11/12/2004	Owsley	Owsley	na	No	No	n/a	n/a	No	No		n/a	No		n/a	
11/24/2004	Pendleton	Pendleton County	n/a	Yes	Yes	IBA Faris Group	01/01/01	No	Yes	Voluntary medicaid and child care flex benefits	Flex card \$2.00; State flex - \$5.00 fee paid by state	No, will be starting 1-1-05	Yes will be	Interest on account daily by bank only	No
11/18/2004	Perry	Perry County	na	Yes	Yes	American Fidelity Assurance Corp	Since first year flex accounts were initiated.	No	Yes	Cafeteria plan services and supplemental benefits	In Kind services are the fee for risk insurance services. Two dollars per month is withheld for record keeping service.	Yes	Yes	State flex accounts are invested through a partnership with the KEDC and Ross Sinclair and Associates. Interest is given to the district.	No
11/23/2004	Pike		Jamie Burke	no	Yes	American Fidelity Assurance Company	Around 1990	No	Yes	Cancer, Disability, Life and Annuities	\$2.00 per month per participant for record keeping	Yes	yes	Invested with Ross Sinclair through KEDC and interest is returned to school districts	no
12/15/2004	Pike	Pikeville Independent	Patricia Burchett	No	Yes	American Fidelity Assurance	Aug. 1, 1988	unanswered	Yes	Annuity plans and insurance	\$2 per month per employee	Unsure	unanswered	unanswered	No
11/16/04 and 11/17/2004	Powell	Powell County	na	Yes / no	Yes	American Fidelity Assurance Company	2 years and another says 1 year	Negotiated through KEDC and no	Yes	Cafeteria plan services and supplemental benefits; then it says to refer to contract	Employees = Zero Expense; No fee charged	Yes and No	No, All rating are available from American Fidelity	Individual accounts are held in a non-interest bearing account and Employee receives flex amount processed with claim form.	No
11/12/2004	Pulaski	Pulaski County	n/a	Yes	Yes	American Fidelity	over 20 years	unknown, since no fees are charged probably not	Yes	Deffered comp., insurance, prepared child care , etc.	none	Yes	No	Individual accounts are held in non-interest bearing checking accounts	No
12/23/2004	Pulaski	Science Hill Ind.	n/a	No	Yes	American Fidelity	6 years	No	Yes	Cafeteria plan services and supplemental benefits	No fees	Yes	No	The Individual (not State) accounts are held in a non-interest bearing account. The state flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to districts annually.	No
11/12/2004	Robertson	Robertson	na	Yes	Yes	American Fidelity is the plan service provider	17 years for cafeteria plan, 5 years for flexible spending	Yes, although bidding is not required for Cafeteria plans according to the AG opinion 83-151.	Yes	Cafeteria plan services and Supplemental benefits	In Kind services are the fee for Cafeteria plan services \$2 per person per month is withheld from forfeitures	Yes, An internal audit is done annually by an outside source. American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	No	Individual accounts are held in non-interest bearing accounts. State flex accounts are invested through partnership with KEDC and Ross Sinclair. Interest earnings are given to the districts annually.	No
11/15/2004	Rockcastle	Rockcastle County	n/a	Yes	Yes	American Fidelity Assurance Company	approximately 10 years	No	Yes	Cafeteria plan and supplemental benefits	In-kind services are the fee for cafeteria plan services \$2 per person, per month are withheld from forfeitures.	Yes	No	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest are received annually.	No

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
11/22/2004	Rowan	Rowan County	Glen Teeg ?	no	Yes	American Fidelity	6 years	Yes	Yes	Cafeteria plan services and supplemental benefits	In-Kind services are free for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes	No Available upon request	The individual (non-state) accounts are held in a non-interest bearing account. The state flex accounts are invested through a partnership with the KEDC and Ross Sinclair. Interest earnings are given to the district annually.	No
11/12/2004	Scott	Scott	R. Catright	No	Yes	American Fidelity Assurance Company is the plan service provider	06/15/05	Yes, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151.	Yes	Cafeteria plan services and Supplemental benefits	In-Kind services are the fee for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source, American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The Individual (not State) accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to districts annually.	No
11/17/2004	Shelby	Shelby County	na	Yes	Yes	AFLAC	01/01/97	No	Yes	Cancer Insurance	\$3 per month per employee that participates	Yes	No	Non-interest bearing bank account in accordance with Dept. of Labor regulations.	No
12/15/2004	Simpson	Simpson County	Jon Hall	no	Yes	Annuity Associates / AFLAC	Eight years	Yes	Yes	Cancer Policies/Medical Flex/Dependent Care Flex	\$3.00 per month	Yes	No	Checking account (non-interest bearing)	No
11/22/2004	Spencer	541	n/a	Copy of the contract was forwarded directly to your agency from American Fidelity	Yes	American Fidelity is the plan service provider	Various	Yes	Yes	Cafeteria plan services and supplemental benefits	In kind services are the fee for cafeteria plan services, \$2 per person per month is withheld from forfeitures.	Yes	No	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to the Districts annually.	No
11/12/2004	Taylor	Campbellsville Ind.	na	No	Yes	American Fidelity	07/01/90	Yes	Yes	Cafeteria plan services and Supplemental benefits	In Kind services are the fee for Cafeteria plan services \$2 per person per month is withheld from forfeitures	Yes, An internal audit is done annually by an outside source, American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	No, Generally not but all ratings are available.	Individual accounts are held in non-interest bearing accounts. State flex accounts are invested through partnership with KEDC and Ross Sinclair. Interest earnings are given to the districts annually.	No
11/12/2004	Taylor	Taylor County	Debbie Dennis	Yes	Yes	FEBCO is the plan service provider	9 years	Yes, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151.	Yes	Cafeteria plan services, enrollment of supplemental benefits	\$6.00 per person per month/ withheld from forfeitures for flex convince card and recordkeeping	No	No	The accounts are held in an on demand account for the use with the flex convince card	No
11/17/2004	Todd	Todd	na	no	Yes	American Fidelity Assurance Company is the plan service provider		Yes, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151.	Yes	Cafeteria plan services and Supplemental benefits	In-Kind services are the fee for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source, American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The Individual (not State) accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to districts annually.	No
11/22/2004	Trigg		Linda Tribble	no	Yes	American Fidelity is the plan service provider	5 years	Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151	Yes	Cafeteria plan services and supplemental benefits	In Kind services are the fee for Cafeteria plan services \$2 per person per month is withheld from forfeitures.	Yes, An internal audit is done annually by an outside source, American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The individual (not State) accounts are held in a non-interest bearing account. The state flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to districts annually.	no
11/24/2004	Trigg	Trigg County	n/a	Yes	Yes	American Fidelity Assurance Company is the plan service provider	5 years	No, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151	Yes	Cafeteria plan services and supplemental benefits	In-Kind services are fee for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source, American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The individual (not State) accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to the Districts annually.	No

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
11/17/2004	Trimble	Trimble County	Kay Bishop	no	Yes	American Fidelity Assurance Company is the plan service provider	10/1/84-9/30/99, 1/1/03-present	Yes, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151.	Yes	Cafeteria plan services and supplemental benefits	In-Kind services are the fee for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source, American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The Individual (not State) accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to districts annually.	No
11/10/2004	Union	Union County	David Waggenger	No	Yes	American Fidelity Assurance Company is the plan service provider	03/01/00	Yes, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151.	Yes	Cafeteria plan services and Supplemental benefits	In-Kind services are the fee for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source, American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The Individual (not State) accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to Districts annually.	No
11/17/2004	Warren	Warren County	na	Yes	Yes	Tim Davis & Associates, TPA	Since January 2002	No	No	n/a	\$3.25 per month per employee, for last 3 years. Will be \$4.00 per month per employee beginning 2005.	No	No	TPA funds keep at local bank, FDIC insured.	No
11/9/2004	Washington	Washington County	Ruth Cocanougher	No	Yes	American Fidelity is the plan services provider	Various	In most cases the answer is "yes" although bidding is not required for Cafeteria plans according to the Attorney General Opinion OAG83-151	In most cases the answer is Yes	Cafeteria plan services and Supplemental benefits	In-Kind services are the fee for cafeteria plan services. \$2.00/person/month is withheld from forfeitures.	Yes. An internal audit is done annually by an outside source, American Fidelity is reviewed and rated annually by A.M. Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to Districts annually.	No
11/16/2004	Wayne	Monticello Ind.	n/a	Yes	Yes	FEBCO, Inc.	9 years	No, Bidding is not required for cafeteria plans in accordance with the Attorney General Opinion OAG83-151	Yes	Cafeteria plan services, enrollment of supplemental benefits	\$6.00 per person per month/ withheld from forfeitures for flex convince card and recordkeeping	No	No	The accounts are held in an on demand account for the use with the flex convince card	NO
11/12/2004	Webster	Webster	Na	No	Yes	American Fidelity Assurance Company is the plan service provider	11/01/86	Yes, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151.	Yes	Cafeteria plan services and Supplemental benefits	In-Kind services are the fee for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source, American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The Individual (not State) accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to Districts annually.	No
12/15/2004	Webster	Providence Independent	n/a	No - note at bottom (contract is over 20 pages - do you want us to fax copy?)	Yes	American Fidelity	Over 5 years	Yes	Yes	Different types of insurance and annuity programs	Flex: \$2.00 per month	Yes	Yes	Contracted outside entity	No
11/12/2004	Whitley	Whitley	na	No	Yes	American Fidelity	01/01/87	No	Yes	Cafeteria plan services and Supplemental benefits	In Kind services are the fee for Cafeteria plan services \$2 per person per month is withheld from forfeitures	Yes	No	Individual accounts are held in non-interest bearing accounts. State flex accounts are invested through partnership with KEDC and Ross Sinclair. Interest distributed annually.	No
11/12/2004	Whitley	Williamsburg Ind.	Connie Pettit	No	Yes	Mike Centers with American Fidelity	15 years	No	Yes	Cancer Ins., Disability Ins. & Annuities & Flex	No fees to employees. No fees to the employer. KEDC discount on membership	Yes	No	No policy	No
11/16/2004	Whitley	Corbin Ind.	N/a	No	Yes	American Fidelity	Sept. 1, 1993	No	Yes	Cafeteria plan and supplemental benefits	In-kind services are the fee for cafeteria plan services \$2 per person, per month are withheld from forfeitures.	Yes	No	Individual accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to the Districts annually.	No
11/12/2004	Wolfe	Wolfe	na	No	Yes	American Fidelity Assurance Company is the plan service provider	10/01/03	Yes, Bidding is not required for cafeteria plans according to the Attorney General Opinion OAG83-151.	Yes	Cafeteria plan services and Supplemental benefits	In-Kind services are the fee for risk insurance policy (if purchased). \$2.00/person/month is withheld from forfeitures for recordkeeping services.	Yes, An internal audit is done annually by an outside source, American Fidelity is reviewed and rated annually by A.M.Best, Standard and Poor's, Weiss and the Insurance Market Standards Association.	Generally not but all ratings are available.	The Individual (not State) accounts are held in a non-interest bearing account. State flex accounts are invested through a partnership with KEDC and Ross Sinclair. Interest earnings are given to districts annually.	No

Date Received	County	School District	Contact name	Contract provided	Contract with outside entity to administer plan?	If Yes, who?	How long?	Competitively Bid?	Provide other products?	If yes, what services?	Fee Schedule for administering the FSA	Audit done?	Does the school obtain a copy of audit?	What is the Investment Policy for the FSA?	FSA administrator have exclusive rights to other benefits?
11/18/2004	Woodford	Woodford Co.	na	Yes	Yes	FEBCO (effective 2004, WCBE switched carriers)	since at least the late 1980s	No	No	n/a	\$4 per month paid by participants	no	n/a	The district does not hold the FSAs. Per Frank Hatchett of FEBCO: "It is held in an on-demand account, an FDIC insured interest-bearing account at a bank."	No

APPENDIX I

Vendor Survey



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

November 8, 2004

Dear Vendor:

The Auditor of Public Accounts, pursuant to KRS 43:080, is reviewing the administration of the Flexible Spending Accounts administered on behalf of local school districts. The primary focus of this review is to document if employee funds are protected and administrative provisions of the contracts fulfilled.

Based on records from the Kentucky Department of Education your firm administers these services on behalf of certain districts.

Please complete the attached survey and return by November 22, 2004 to:

Michelle Sutton
State Audit Branch Manager
Division of Financial Audit
Auditor of Public Accounts
105 Sea Hero Road, Suite 2
Frankfort KY 40601

If you have any questions you can contact Michelle at 502-573-0050, Ext. 279, or by fax at 502-573-0067, or by email: Michelle.Sutton@auditor.ky.gov You are also welcome to return the survey via email to Michelle.

Thank you for your assistance in this matter.

Sincerely,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Attachment



Commonwealth of Kentucky
Auditor of Public Accounts
FLEXIBLE SPENDING ACCOUNT SURVEY

Administrator

Name of Firm _____
Address _____

Telephone _____
Email _____
Fax _____
Contact Person _____

1. In how many school districts does your firm administer Flexible Spending Accounts (FSA)? _____
2. Please provide a copy of your firms investment policy related to these funds.
3. Are the employee deposits insured or reinsured? If yes, please describe:

4. Does your firm have an annual financial audit and/or is examined by a state insurance regulatory agency? ____ Yes ____ No If yes, please provide a copy.
5. Is your firm rated? ____ Yes ____ No If so, by which firm, and what is the current rating? _____
And has it changed over the last three years? _____
6. Does your firm provide other services or market other products to the local school districts? ____ Yes ____ No If yes, please describe: _____

If other products are offered by the firm, was this from a competitively bid process?
____ Yes ____ No Are these services exclusive to your firm? ____ Yes ____ No
Does your contract with the local school district for FSA include these same services? ____ Yes ____ No If no, please provide a copy of any side agreements.
7. Please provide a copy of the contract with the local school district to administer Flexible Spending Accounts. Is this a standard contract with all local school districts? ____ Yes ____ No If no, please provide a copy of each different contract.
8. What are your fees to administer Flexible Spending Accounts to each district? Are the fees different or the same to each local school district? Please describe any differences and attach examples of fee schedules. _____

Thank you for taking part in this survey.

Mailing	Organization Name	Address	City	State	Postal Code	Contact
1	Bluegrass Family Health	651 Perimeter Drive, Suite 300	Lexington	KY	40517-	Tami Collins
2	CHA HMO, Inc.	300 West Vine Street	Lexington	KY	40507-	Irma Turner
3	Humana, Inc.	101 East Main Street, 9th Fl	Louisville	KY	40201-	Susan Schmalz
4	AFLAC/Flexone	1932 Wynnnton Road	Columbus	GA	31999-	Sharon Peterson
5	American Fidelity	PO Box 25510	Oklahoma City	OK	73106-	Linda Reynolds
6	FECBO	PO Box 5010	Frankfort	KY	40601-	MaryAnn Buchanan
7	Flexwin/Life Investors	PO Box 8042	Little Rock	AR	72203-	Gino Paro
8	Fringe Benefits Management Co.	PO Box 1878	Tallahassee	FL	32302-1878	Jackie Brinson
9	Infinisource	PO Box 889	Coldwater	MI	49036-0889	Jodie Pant
10	Integrated Business Administrators	2211 Greene Way	Louisville	KY	40220-	Rick Daniels
11	Madison & Associates	PO Box 651	Brownsville	KY	42210-	John Madison
12	NKCES	504 Johns Hill Road	Highlands Heights	KY	41099-	Trudy Jolly
13	Ohio County	PO Box 70	Hartford	KY	42347-	Brian Decker
14	Tim Davis & Associates	PO Box 2525	Elizabethtown	KY	42702-	Pamela Jenkins
15	Upchurch/Wayne Co.	PO Box 695	Monticello	KY	42633-	Martin Upchurch

Health Insurance Carrier	Address	City, State Zip	Phone #	Fax #	Contact Person	Email Address
Bluegrass Family Health	651 Perimeter Drive, Suite 300	Lexington, KY 40517	859-269-4475		Tami Collins	infosys@bgfh.com
CHA HMO, Inc.	300 West Vine Street	Lexington, KY 40507	859-232-8518		Irma Turner ATTN: Enrollment	iturner@cha-health.com
Humana, Inc. PPO, OS, MBP	101 East Main Street, 9th Floor	Louisville, KY 40201	502-580-6409	502-508-6409	Susan Schmalz, Leigh Anne Teakle, Denise Tooley	lteakle@humana.com dtooley1@humana.com sschmalz@humana.com

2004 FLEXIBLE SPENDING VENDORS

Flexible Spending Vendor	Address	City, State Zip	Phone #	Fax #	Contact Person	Email Address
FLAC / Flexone	1932 Wynnnton Road	Columbus, GA 31999	706-660-7436 800-323-5391	877-353-9256	Sharon Peterson, Jacklyn Coley	jcoley@AFLAC.COM speterson@aflac.com
American Fidelity	P. O. Box 25510	Oklahoma City, OK 73106	800-325-0654 #7812	859-224-4416	Linda Reynolds, Jan Washington	Jan.washington@af-group.com
EBCO	P. O. Box 5010	Frankfort, KY 40601	502-695-9690	502-695-9692	Mary Ann Buchanan	rick@sirque.net
Lexwin / Life Investors	P. O. Box 8042	Little Rock, AR 72203	501-227-1155 800-400-3042 #803	888-838-3062	Gino Paro Scott Grable	gmparo@aegonusa.com
Pring Benefits Mgt. Co.	P. O. Box 1878	Tallahassee, FL 32302-1878	800-872-0345 #212	850-425-6220	Jackie Brinson Diane Boyd, Manager	xfer@fbmcbenefits.com Scott Mixon, Acct Manager
Prinsource	P. O. Box 889	Coldwater, MI 49036-0889	866-350-3040 #533		Jodie Pant, Evelyn McKeon	emokeon@benefitsolved.com jpant@benefitsolved.com
Integrated Business Administrators	2211 Greene Way	Louisville, KY 40220	800-850-0281 502-495-5044	502-495-5045	Rick Daniels	rickd@kycomp1.com
Madison & Associates	P. O. Box 651	Brownsville, KY 42210	270-597-2027	270-597-2027	John Madison	Madisonjg@msn.com
KCES	504 Johns Hill Road	Highlands Heights, KY 41099	859-442-3510	859-442-3515	Trudy Jolly	tjolly@nkces.coop.k12.ky.us
Kio County	P. O. Box 70	Hartford, KY 42347	270-298-3249	270-298-3886	Brian Decker	bdecker@ohio.k12.ky.us
Jim Davis & Associates	P. O. Box 2525	Elizabethtown, KY 42702	270-737-0222	270-769-2521	Pamela Jenkins	pamjenkins@tdafs.com
Upchurch / Wayne Co.	P. O. Box 695	Monticello, KY 42633	606-348-9585	606-348-7281	Martin Upchurch	UpchurchIns@kih.NET

APPENDIX J

Vendor Survey Results

	Date Received	Contact Person	Investment Policy provided	How many districts do you administer?	Investment Policy provided or discussed?	Employee deposits insured or renewed?	Annual audit or examined by state agency?	Copy of auditing provided	Firm Rated?	If yes, by whom and rating?	Changed in last three years?	Other services or products provided?	Other products competitively bid?	Does contract include these same services?	Copy of any side agreements provided	Contract provided	Fees to administer FSA?
American Fidelity	11/9/2004 and 11/22/04	Mary Nash, Tom Sledge	Contract provided	1955	N/A	We are an insurance company. The flex funds are self-insured by AFA.	No. Internal audit Not available. Member of IMSA.	N/A	Yes	A.M. Best - A+; Weiss - A+; S&P - Ap	No	Yes, Cafeteria plan services and supplemental benefits	Yes, No	No, contract for record keeping of Flex accounts only.	provided	Yes	Record keeping - \$2.00 per participant per month withheld from forfeitures; In-kind services for risk insurance policy. \$6.00 per participant per month; Fees are the same based on service provided; Oldham Co - \$13.00 per participant per month. Providing greater amount of
FEBCO	11/19/2004	Frank Hatchett	No, just standard contract	12	The accounts are held in an on demand account for the use with the flex convince card.	FDIC insured	No	N/A	No	unanswered	unanswered	Yes, Cafeteria plan services and supplemental benefits	Yes, No: Bidding is Not required for cafeteria plans in accordance with Attorney General Opinion OAG 83-151	Yes	None provided	Yes	
Flexwin - Transamerica Worksite Marketing	11/15/2004	We No longer participate in FSA's as of 5/30/03															
Integrated Benefits Administrators/ Fairs Group/ FGIBA	11/22/2004	Rick Daniels	Cafeteria Plan Services Agreement	4	N/A	No	No, but starting audit in January	N/A	No	unanswered	unanswered	No	unanswered	unanswered	N/A	Yes	\$5.00 each/month; \$2.00 Flex card/month; (Card fee only if ee requested a card) Card fee began in 2004.
Madison and Associates	11/19/2004	John G. Madison	No	2 Schools Edmonson and Logan	No policy provided - the funds are in an ordinary checking account	Yes, by the bank	No	N/A	No	N/A	N/A	Yes, we provide supplemental insurance	No, No	Yes	None provided	Yes	1% of monthly amount
NKCES	11/22/2004	Trudy Jolley	Yes	19	No written policy in place. Monies are deposited into an interest bearing account.	Funds are insured up to \$100,000 and the balance is covered by pledged	Yes	Agreed-Upon Procedures report attached	No	unanswered	unanswered	No	No	No	None provided	Yes	None
Ohio County	11/19/2004	Brian Decker		5	Not provided	Yes, FDIC at local bank	No	No	No	N/A	No	No	N/A	N/A	N/A	Yes	See attached contract
Tim Davis & Associates, Inc.	11/15/2004				All funds are deposited in a school checking account. FDIC insured.	Insured by FDIC						Yes, property and casualty insurance	Yes, No				\$1.50 per participant paid by employer. \$4.00 per month employee paid for one account or \$5.00 per month employee paid for 2 accounts
Upchurch Insurance and Financial services, Inc.	11/29/2004	Martin Upchurch	Administration Agreement attached	one			No	N/A	No	N/A	No		Yes, No	No	None provided	Yes	

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APPENDIX K

Average Number of Employees per School District Waiving Health Insurance Coverage for Plan Year 2003

Source: Electronic files from KDE staff

**Average Number of Employees per School District
Waiving Health Insurance Coverage for Plan Year 2003**

SCHOOL DISTRICT	AVG 1/03-6/03	AVG 7/03-12/03	OVERALL AVERAGE
ADAIR	38	40	39.00
ALLEN	77	75	76.00
ANCHORAGE INDEPENDENT	22	21	21.50
ANDERSON	143	128	135.50
ASHLAND INDEPENDENT	182	177	179.50
AUGUSTA INDEPENDENT	9	8	8.50
BALLARD	69	69	69.00
BARBOURVILLE INDEPENDENCE	16	16	16.00
BARDSTOWN INDEPENDENT	94	101	97.50
BARREN	177	171	174.00
BATH	40	35	37.50
BEECHWOOD INDEPENDENT	43	42	42.50
BELL	74	74	74.00
BELLEVUE INDEPENDENT	40	34	37.00
BEREA INDEPENDENT	24	25	24.50
BOONE	851	839	845.00
BOURBON	114	110	112.00
BOWLING GREEN IND.	104	101	102.50
BOYD	187	183	185.00
BOYLE	89	87	88.00
BRACKEN	43	43	43.00
BREATHITT	42	35	38.50
BRECKINRIDGE	94	91	92.50
BULLITT	459	456	457.50
BURGIN IND.	16	17	16.50
BUTLER	54	53	53.50
CALDWELL	74	75	74.50
CALLOWAY	110	104	107.00
CAMPBELL	261	243	252.00
CAMPBELLSVILLE IND.	45	41	43.00
CARLISLE	49	51	50.00
CARROLL	57	54	55.50
CARTER	204	201	202.50
CASEY	50	49	49.50
CAVERNA IND.	28	25	26.50
CHRISTIAN	323	306	314.50
CLARK	238	233	235.50
CLAY	78	83	80.50
CLINTON	35	35	35.00
CORBIN IND.	79	77	78.00
CRITTENDEN	65	65	65.00
CUMBERLAND	23	22	22.50
DAVISS	529	530	529.50
EAST BERNSTADT IND.	18	53	35.50
EDMONSON	72	75	73.50
ELLIOTT	38	106	72.00
ESTILL	92	91	91.50

**Average Number of Employees per School District
Waiving Health Insurance Coverage for Plan Year 2003**

SCHOOL DISTRICT	AVG 1/03-6/03	AVG 7/03-12/03	OVERALL AVERAGE
FAYETTE	996	963	979.50
FLEMING	55	57	56.00
FLOYD	247	239	243.00
FRANKLIN FRANKFORT IND. BOARD OF EDUCATION	27	29	28.00
FULTON	29	26	27.50
FULTON IND.	30	28	29.00
GALLATIN	79	78	78.50
GARRARD	79	77	78.00
GRANT	167	174	170.50
GRAVES	181	176	178.50
GRAYSON	158	156	157.00
GREEN	32	33	32.50
GREENUP	146	144	145.00
HANCOCK	96	94	95.00
HARDIN	615	595	605.00
HARDIN ELIZABETHTOWN	115	106	110.50
HARLAN	90	91	90.50
HARLAN IND.	28	28	28.00
HARRISON	128	117	122.50
HARRODSBURG IND. BOARD OF EDUCATION	38	36	37.00
HART	74	70	72.00
HENDERSON	334	320	327.00
HENRY	68	69	68.50
HICKMAN	21	22	21.50
HOPKINS	180	177	178.50
HOPKINS DAWSON SPRINGS IND.			-
JACKSON	80	82	81.00
JEFFERSON	3180	3132	3,156.00
JESSAMINE	229	231	230.00
JOHNSON	108	106	107.00
KENTON	646	631	638.50
KENTON ERLANGER-ELSMERE SCH. DIS.			-
KENTON, COVINGTON IND.			-
KNOTT	57	57	57.00
KNOX	119	118	118.50
LARUE	86	86	86.00
LAUREL	262	267	264.50
LAWRENCE	103	100	101.50
LEE	21	20	20.50
LESLIE	55	60	57.50
LETCHER CO. BOARD OF EDUCATION	86	84	85.00
LETCHER JENKINS IND.			-
LEWIS COUNTY	70	68	69.00
LINCOLN	162	155	158.50
LIVINGSTON	57	56	56.50
LOGAN	119	115	117.00
LUDLOW INDEPENDENT	43	43	43.00
LYON	37	37	37.00
MADISON	292	292	292.00
MAGOFFIN	96	91	93.50
MARION	115	116	115.50
MARSHALL	175	166	170.50
MARTIN	69	59	64.00
MASON	87	83	85.00
MAYFIELD INDEPENDENT	62	63	62.50
MCCRACKEN	231	217	224.00
MCCREARY	83	78	80.50

**Average Number of Employees per School District
Waiving Health Insurance Coverage for Plan Year 2003**

SCHOOL DISTRICT	AVG 1/03-6/03	AVG 7/03-12/03	OVERALL AVERAGE
MCLEAN	73	71	72.00
MEADE	175	178	176.50
MENIFEE	19	20	19.50
MERCER	87	87	87.00
METCALFE	54	53	53.50
MIDDLESBORO INDEPENDENT	58	58	58.00
MONROE	56	56	56.00
MONTGOMERY	110	106	108.00
MONTICELLO INDEPENDENT	23	23	23.00
MORGAN	73	69	71.00
MUHLENBERG	183	179	181.00
MURRAY INDEPENDENT	95	92	93.50
NELSON	212	189	200.50
NEWPORT INDEPENDENT	113	105	109.00
NICHOLAS	30	31	30.50
OHIO	200	193	196.50
OLDHAM	415	405	410.00
OWEN	56	56	56.00
OWENSBORO INDEPENDENT	219	214	216.50
OWSLEY	15	16	15.50
PARIS IND.	25	30	27.50
PENDLETON	130	130	130.00
PERRY	148	139	143.50
PIKE	411	407	409.00
PIKEVILLE IND.	49	49	49.00
PINEVILLE IND.	12	11	11.50
POWELL	78	80	79.00
PROVIDENCE IND.	4	4	4.00
PULASKI	214	208	211.00
RACELAND IND.	41	41	41.00
ROBERTSON	8	9	8.50
ROCKCASTLE	109	110	109.50
ROWAN	78	81	79.50
RUSSELL	70	72	71.00
RUSSELL IND.	93	93	93.00
RUSSELLVILLE IND.	51	46	48.50
SCIENCE HILL IND.	12	13	12.50
SCOTT	279	280	279.50
SHELBY	188	187	187.50
SILVER GROVE IND.	19	19	19.00
SIMPSON	107	105	106.00
SOMERSET IND.	46	44	45.00
SOUTHERN IND.			-
SPENCER	111	107	109.00
TAYLOR	92	91	91.50
TODD	97	95	96.00
TRIGG	79	77	78.00
TRIMBLE	77	74	75.50
UNION	105	94	99.50
WALTON VERONA IND.	53	50	51.50
WARREN	415	386	400.50
WASHINGTON	74	76	75.00
WAYNE	47	45	46.00
WEBSTER	80	71	75.50
WEST POINT IND.	10	10	10.00
WHITLEY	119	117	118.00
WILLIAMSBURG IND.	27	24	25.50
WILLIAMSTOWN IND.	49	49	49.00
WOLFE	33	31	32.00
WOODFORD	160	157	158.50
			<u>22,179.50</u>

Average Number of Employees per School District Waiving Health Insurance Coverage for Plan Year 2003

Note: the following districts did not respond to the original FSA survey, therefore the results are not included here.

Cloverport Ind.
Covington Ind.
Danville Ind.
Dawson Springs Ind.
Dayton Ind.
Eminence Ind.
Erlanger ind.
Fairview Ind.
Fraklin Co.
Ft. Thomas Ind.
Glasgow Ind.
Hazard Ind.
Jackson Ind.
Jenkins Ind.
Paducah Ind.
Paintsville Ind.
Southgate Ine.

APPENDIX L

Estimate of Total Savings for Plan Year 2003

Estimate of Total Savings for Plan Year 2003

Savings on FSA Accounts From Employer Contributions to FSA Plans	\$ 467,894
Savings on FSA Accounts From Employee Contributions to FSA Plans	85,688
Estimated Annual Savings for Plan Year 2003	553,582

Note - This figure is not complete and is only an estimate

This is an estimated figure based on data obtained during the study and is based on the facts and assumptions listed below. The specific breakdown of each amount is contained in Appendix M and Appendix N of this report.

The estimate of total savings for Plan Year 2003 is based upon the following facts and assumptions:

Facts

- Monthly FSA Administration Fees are based upon either a survey conducted with the Third Party Benefits Administrator or the Administration Fees outlined in the report at Appendix P.
- The estimated savings/cost could not be computed for School districts that did not return the APA survey, as we did not know which vendor served as their FSA Third Party Administrator unless the vendor provided us with that information in our correspondence with them. The savings/cost could not be calculated for vendors not providing a response.
- The estimate of savings by employees waiving Health Insurance coverage was arrived at by multiplying the average number of employees waiving coverage by the difference in the vendor administration fees paid and the administration fee charged by American Fidelity.
- The estimate of savings on the number of employees making elective deferrals to FSA plans was determined from FSA Vendor Surveys of PY 2003 participation.

Assumptions

- The number of employees waiving health insurance coverage for PY 2003 was obtained from an average of two KDE reports that detailed the number of employees waiving coverage by school district and month.
- FSA Administration Fee for Tim Davis and Associates was not available for PY2003, therefore the PY2004 fee was used instead.
- Many school districts stated that NKCES did not charge an administration fee, however, based upon Appendix P we estimated the administration fee to be:

ANNUAL COST OF USING NKCES			
MONTH	FEE	\$	COST
JAN	4.0%	234.00	9.36
FEB	4.0%	234.00	9.36
MAR	4.0%	234.00	9.36
APR	4.0%	234.00	9.36
MAY	4.0%	234.00	9.36
JUN	4.0%	234.00	9.36
JUL	4.0%	234.00	9.36
AUG	4.0%	234.00	9.36
SEP	4.0%	234.00	9.36
OCT	4.0%	234.00	9.36
NOV	7.0%	234.00	16.38
DEC	7.0%	234.00	16.38
			126.36

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APPENDIX M

Savings on Accounts Where Employees Waive Health Insurance

Savings on Accounts Where Employees Waive Health Insurance

SCHOOL DISTRICT	PROVIDER PER	RATES			DIFFERENCE		PARTICIPANTS WAIVING COVERAGE	ANNUAL SAVINGS		
		SURVEY	VENDOR	AMERICAN	SURVEY &	VENDOR &		SURVEY &	VENDOR &	
		RATE	RATE	FIDELITY	VENDOR	A.F.		A.F.	A.F.	
1 ADAIR		MISSING	MISSING	2	MISSING	MISSING	39.00	N/A	N/A	
2 ALLEN	FEBCO		6	6	2	-	(4.00)	76	-	(3,648.00)
3 ANCHORAGE INDEPENDENT	AFLAC FLEX ONE		5	UNKNOWN	2	UNKNOWN	(3.00)	21.5	UNKNOWN	(774.00)
4 ANDERSON	FEBCO		6	6	2	-	(4.00)	135.5	-	(6,504.00)
5 ASHLAND INDEPENDENT	AMERICAN FIDELITY		2	2	2	-	-	179.5	-	-
6 AUGUSTA INDEPENDENT	NORTHERN KY EDUCATIONAL CO-OP		0	0	2	-	2.00	8.5	-	(870.06)
7 BALLARD	AMERICAN FIDELITY		2	2	2	-	-	69	-	-
8 BARBOURVILLE INDEPENDENCE	AMERICAN FIDELITY		0	2	2	(2.00)	-	16	(384.00)	-
9 BARDSTOWN INDEPENDENT	AMERICAN FIDELITY		2	2	2	-	-	97.5	-	-
10 BARREN	TIM DAVIS & ASSOCIATES		3.25	3.25	2	-	(1.25)	174	-	(2,610.00)
11 BATH		MISSING	MISSING	2	MISSING	MISSING	37.5	UNKNOWN	UNKNOWN	
12 BEECHWOOD INDEPENDENT	N.K.C.E.S.		0	0	2	-	2.00	42.5	-	(4,350.30)
13 BELL		MISSING	MISSING	2	MISSING	MISSING	74	N/A	N/A	
14 BELLEVUE INDEPENDENT	N.K.C.E.S.		0	0	2	-	2.00	37	-	(3,787.32)
15 BERIA INDEPENDENT	AMERICAN FIDELITY		2	2	2	-	-	24.5	-	-
16 BOONE	AMERICAN FIDELITY		2	2	2	-	-	845	-	-
17 BOURBON	AMERICAN FIDELITY		2	2	2	-	-	112	-	-
18 BOWLING GREEN IND.		MISSING	MISSING	2	MISSING	MISSING	102.5	UNKNOWN	UNKNOWN	
19 BOYD	AMERICAN FIDELITY		0	2	2	(2.00)	-	185	(4,440.00)	-
20 BOYLE	AMERICAN FIDELITY		2	2	2	-	-	88	-	-
21 BRACKEN	NKCES		0	0	2	-	2.00	43	-	(4,401.48)
22 BREATHITT	AMERICAN FIDELITY		2	2	2	-	-	38.5	-	-
23 BRECKINRIDGE	AMERICAN FIDELITY		0	2	2	(2.00)	-	92.5	(2,220.00)	-
24 BULLITT	AMERICAN FIDELITY		2	2	2	-	-	457.5	-	-
25 BURGIN IND.	FEBCO	N/A		6	2	UNKNOWN	(4.00)	16.5	UNKNOWN	(792.00)
26 BUTLER	TIM DAVIS & ASSOCIATES		4	4.5	2	(0.50)	(2.50)	53.5	(321.00)	(1,605.00)
27 CALDWELL	AMERICAN FIDELITY		2	2	2	-	-	74.5	-	-
28 CALLOWAY	AMERICAN FIDELITY		2	2	2	-	-	107	-	-
29 CAMPBELL	NKCES		0	0	2	-	2.00	252	-	(25,794.72)
30 CAMPBELLSVILLE IND.	AMERICAN FIDELITY		2	2	2	-	-	43	-	-
31 CARLISLE	AMERICAN FIDELITY		2	2	2	-	-	50	-	-
32 CARROLL	FGIBA		5	5	2	-	(3.00)	55.5	-	(1,998.00)
33 CARTER	AMERICAN FIDELITY		2	2	2	-	-	202.5	-	-
34 CASEY	AMERICAN FIDELITY		2	2	2	-	-	49.5	-	-
35 CAVERNA IND.	AMERICAN FIDELITY		2	2	2	-	-	26.5	-	-
36 CHRISTIAN	AMERICAN FIDELITY		2	2	2	-	-	314.5	-	-
37 CLARK	AMERICAN FIDELITY		2	2	2	-	-	235.5	-	-
38 CLAY	AMERICAN FIDELITY		2	2	2	-	-	80.5	-	-
39 CLINTON	AMERICAN FIDELITY		2	2	2	-	-	35	-	-
40 CORBIN IND.	AMERICAN FIDELITY		2	2	2	-	-	78	-	-
41 CRITTENDEN	AMERICAN FIDELITY		2	2	2	-	-	65	-	-
42 CUMBERLAND	AMERICAN FIDELITY		2	2	2	-	-	22.5	-	-
43 DAVIESS	AMERICAN FIDELITY		2	2	2	-	-	529.5	-	-
44 EAST BERNSTADT IND.		MISSING	MISSING	2	MISSING	MISSING	35.5	UNKNOWN	UNKNOWN	
45 EDMONSON	JOHN MADISON & ASSOCIATES	1% OR \$2.34	1% OF MONTHLY AMOUNT	2	-	(0.34)		73.5	-	(299.88)
46 ELLIOTT	AMERICAN FIDELITY		2	2	2	-	-	72	-	-
47 ESTILL	AMERICAN FIDELITY		2	2	2	-	-	91.5	-	-
48 FAYETTE	NORTHERN KY COOPERATIVE FOR EDUCATIONAL SERVICES		0	0	2	-	2.00	979.5	-	(100,261.62)
49 FLEMING	AMERICAN FIDELITY		2	2	2	-	-	56	-	-
50 FLOYD	AMERICAN FIDELITY		2	2	2	-	-	243	-	-
51 FRANKLIN FRANKFORT IND. BOARD OF EDUCATION	FEBCO INC		6	6	2	-	(4.00)	28	-	(1,344.00)
52 FULTON	AMERICAN FIDELITY		2	2	2	-	-	27.5	-	-
53 FULTON IND.	AMERICAN FIDELITY		2	2	2	-	-	29	-	-
54 GALLATIN	AMERICAN FIDELITY		0	2	2	(2.00)	-	78.5	(1,884.00)	-

Savings on Accounts Where Employees Waive Health Insurance

SCHOOL DISTRICT	PROVIDER PER	RATES			DIFFERENCE		PARTICIPANTS WAIVING COVERAGE	ANNUAL SAVINGS	
		SURVEY	VENDOR	AMERICAN	SURVEY &	VENDOR &		SURVEY &	VENDOR &
		RATE	RATE	FIDELITY	VENDOR	A.F.		A.F.	A.F.
55 GARRARD	AMERICAN FIDELITY	2	2	2	-	-	78	-	-
56 GRANT	NORTHERN KY COOPERATIVE FOR EDUCATIONAL SERVICES	0	0	2	-	2.00	170.5	-	(17,452.38)
57 GRAVES	AMERICAN FIDELITY	2	2	2	-	-	178.5	-	-
58 GRAYSON	AMERICAN FIDELITY	2	2	2	-	-	157	-	-
59 GREEN	FEBCO INC	6	6	2	-	(4.00)	32.5	-	(1,560.00)
60 GREENUP	NKCES	0	0	2	-	2.00	145	-	(14,842.20)
61 HANCOCK	AMERICAN FIDELITY	0	2	2	(2.00)	-	95	(2,280.00)	-
62 HARDIN	TIM DAVIS & ASSOCIATES	3.25	3.25	2	-	(1.25)	605	-	(9,075.00)
63 HARDIN ELIZABETHTOWN	AMERICAN FIDELITY	0	2	2	(2.00)	-	110.5	(2,652.00)	-
64 HARLAN	AMERICAN FIDELITY	0	2	2	(2.00)	-	90.5	(2,172.00)	-
65 HARLAN IND.	AMERICAN FIDELITY	2	2	2	-	-	28	-	-
66 HARRISON	FLEXWIN LIFE INVESTORS INS. CO. OF AMERICA	0	UNKNOWN	2	UNKNOWN	UNKNOWN	122.5	UNKNOWN	UNKNOWN
67 HARRODSBURG IND. BOARD OF EDUCATION	N/A	N/A	N/A	2	UNKNOWN	UNKNOWN	37	UNKNOWN	UNKNOWN
68 HART	AMERICAN FIDELITY	0	2	2	(2.00)	-	72	(1,728.00)	-
69 HENDERSON	AMERICAN FIDELITY	0	2	2	(2.00)	-	327	(7,848.00)	-
70 HENRY	AMERICAN FIDELITY	0	2	2	(2.00)	-	68.5	(1,644.00)	-
71 HICKMAN	AMERICAN FIDELITY	0	2	2	(2.00)	-	21.5	(516.00)	-
72 HOPKINS	AFLAC	0	UNKNOWN	2	UNKNOWN	UNKNOWN	178.5	UNKNOWN	UNKNOWN
73 HOPKINS DAWSON SPRINGS IND.	AMERICAN FIDELITY	2	2	2	-	-	0	-	-
74 JACKSON	AMERICAN FIDELITY	0	2	2	(2.00)	-	81	(1,944.00)	-
75 JEFFERSON	FBMC (same as state)	3.4	UNKNOWN	2	UNKNOWN	(1.40)	3156	UNKNOWN	(55,230.00)
76 JESSAMINE	FEBCO	FEES COME FROM PROCEEDS OF ACCOUNTS		6	2	6.00 (4.00)	230	16,560.00	(11,040.00)
77 JOHNSON	AMERICAN FIDELITY	2	2	2	-	-	107	-	-
78 KENTON	NORTHERN KY COOPERATIVE SERVICES	0	0	2	-	2.00	638.5	-	(65,356.86)
79 KENTON ERLANGER- ELSMERE SCH. DIS.	NORTHERN KY COOPERATIVE SERVICES	0	0	2	-	2.00	0	-	-
80 KENTON, COVINGTON IND.	NORTHERN KY COOPERATIVE SERVICES	INTEREST	0	2	UNKNOWN	2.00	0	UNKNOWN	-
81 KNOTT	AMERICAN FIDELITY	2	2	2	-	-	57	-	-
82 KNOX	AMERICAN FIDELITY	0	2	2	(2.00)	-	118.5	(2,844.00)	-
83 LARUE	AMERICAN FIDELITY	2	2	2	-	-	86	-	-
84 LAUREL	AFLAC	0	UNKNOWN	2	UNKNOWN	UNKNOWN	264.5	UNKNOWN	UNKNOWN
85 LAWRENCE	AMERICAN FIDELITY	0	2	2	(2.00)	-	101.5	(2,436.00)	-
86 LEE	AMERICAN FIDELITY	2	2	2	-	-	20.5	-	-
87 LESLIE	AMERICAN FIDELITY	2	2	2	-	-	57.5	-	-
88 LETCHER CO. BOARD OF EDUCATION	FEBCO	6	6	2	-	(4.00)	85	-	(4,080.00)
89 LETCHER JENKINS IND.	AMERICAN FIDELITY	2	2	2	-	-	0	-	-
90 LEWIS COUNTY	AFLAC	3	UNKNOWN	2	UNKNOWN	UNKNOWN	69	UNKNOWN	(828.00)
91 LINCOLN	AMERICAN FIDELITY	2	2	2	-	-	158.5	-	-
92 LIVINGSTON	AMERICAN FIDELITY	2	2	2	-	-	56.5	-	-
93 LOGAN	MADISON & ASSOC.	2.31 (1%)	1%	2	-	(0.34)	117	-	(477.36)
94 LUDLOW INDEPENDENT	N.K.C.E.S	0	0	2	-	2.00	43	-	(4,401.48)
95 LYON	AMERICAN FIDELITY	0	2	2	(2.00)	-	37	(888.00)	-
96 MADISON	AMERICAN FIDELITY	2	2	2	-	-	292	-	-

Savings on Accounts Where Employees Waive Health Insurance

SCHOOL DISTRICT	PROVIDER PER	RATES			DIFFERENCE		PARTICIPANTS WAIVING COVERAGE	ANNUAL SAVINGS	
		SURVEY	VENDOR	AMERICAN	SURVEY &	VENDOR &		SURVEY &	VENDOR &
		RATE	RATE	FIDELITY	VENDOR	A.F.		A.F.	A.F.
97 MAGOFFIN	AMERICAN FIDELITY	2	2	2	-	-	93.5	-	-
98 MARION	AMERICAN FIDELITY	0	2	2	(2.00)	-	115.5	(2,772.00)	-
99 MARSHALL	AMERICAN FIDELITY	2	2	2	-	-	170.5	-	-
100 MARTIN	AMERICAN FIDELITY	2	2	2	-	-	64	-	-
101 MASON	AMERICAN FIDELITY	0	2	2	(2.00)	-	85	(2,040.00)	-
102 MAYFIELD	AMERICAN FIDELITY	2	2	2	-	-	62.5	-	-
INDEPENDENT									
103 MCCracken	AMERICAN FIDELITY	2	2	2	-	-	224	-	-
104 MCCREARY	AMERICAN FIDELITY	2	2	2	-	-	80.5	-	-
105 MCLEAN	AMERICAN FIDELITY	2	2	2	-	-	72	-	-
106 MEADE	TIM DAVIS & ASSOC.	3.25 & 2,000 ANNUAL FEE	3.25	2	-	(1.25)	176.5	-	(2,647.50)
107 MENIFEE	AMERICAN FIDELITY	2	2	2	-	-	19.5	-	-
108 MERCER	AMERICAN FIDELITY	2	2	2	-	-	87	-	-
109 METCALFE	FEBCO	6	6	2	-	(4.00)	53.5	-	(2,568.00)
110 MIDDLESBORO	AFLAC	5	UNKNOWN	2	UNKNOWN	(3.00)	58	UNKNOWN	(2,088.00)
INDEPENDENT									
111 MONROE	NO CONTRACT	N/A	N/A	2	N/A	N/A	56	N/A	N/A
112 MONTGOMERY	AMERICAN FIDELITY	2	2	2	-	-	108	-	-
113 MONTICELLO	FEBCO	6	6	2	-	(4.00)	23	-	(1,104.00)
INDEPENDENT									
114 MORGAN	AMERICAN FIDELITY	0	2	2	(2.00)	-	71	(1,704.00)	-
115 MUHLENBERG	FEBCO	6	6	2	-	(4.00)	181	-	(8,688.00)
116 MURRAY	AMERICAN FIDELITY	2	2	2	-	-	93.5	-	-
INDEPENDENT									
117 NELSON	IBA	5	5	2	-	(3.00)	200.5	-	(7,218.00)
118 NEWPORT	N.K.C.E.S	0	0	2	-	2.00	109	-	(11,157.24)
INDEPENDENT									
119 NICHOLAS		MISSING	MISSING	2	MISSING	MISSING	30.5	UNKNOWN	UNKNOWN
120 OHIO	SELF ADMINISTERED		N/A	2	UNKNOWN	UNKNOWN	196.5	UNKNOWN	UNKNOWN
121 OLDHAM	FEBCO	13	13	2	-	(11.00)	410	-	(54,120.00)
122 OWEN	AMERICAN FIDELITY	2	2	2	-	-	56	-	-
123 OWENSBORO	AMERICAN FIDELITY	0	2	2	(2.00)	-	216.5	(5,196.00)	-
INDEPENDENT									
124 OWSLEY	NO CONTRACT	N/A	N/A	2	N/A	N/A	15.5	N/A	N/A
125 PARIS IND.	AMERICAN FIDELITY	2	2	2	-	-	27.5	-	-
126 PENDLETON	IBA-FARIS GROUP	5	5	2	-	(3.00)	130	-	(4,680.00)
127 PERRY	AMERICAN FIDELITY	2	2	2	-	-	143.5	-	-
128 PIKE	AMERICAN FIDELITY	2	2	2	-	-	409	-	-
129 PIKEVILLE IND.	AMERICAN FIDELITY	2	2	2	-	-	49	-	-
130 PINEVILLE IND.	AMERICAN FIDELITY	2	2	2	-	-	11.5	-	-
131 POWELL	AMERICAN FIDELITY	0	2	2	(2.00)	-	79	(1,896.00)	-
132 PROVIDENCE IND.	AMERICAN FIDELITY	2	2	2	-	-	4	-	-
133 PULASKI	AMERICAN FIDELITY	0	2	2	(2.00)	-	211	(5,064.00)	-
134 RACELAND IND.	DOES NOT OFFER A FLEXIBLE SPENDING PLAN	N/A	N/A	2	DID NOT HAVE A FSA FOR PY 2003		41	N/A	N/A
135 ROBERTSON	AMERICAN FIDELITY	2	2	2	-	-	8.5	-	-
136 ROCKCASTLE	AMERICAN FIDELITY	2	2	2	-	-	109.5	-	-
137 ROWAN	AMERICAN FIDELITY	2	2	2	-	-	79.5	-	-
138 RUSSELL		MISSING	MISSING	2	MISSING	MISSING	71	UNKNOWN	UNKNOWN
139 RUSSELL IND.	AMERICAN FIDELITY	0	2	2	(2.00)	-	93	(2,232.00)	-
140 RUSSELLVILLE IND.	AMERICAN FIDELITY	0	2	2	(2.00)	-	48.5	(1,164.00)	-
141 SCIENCE HILL IND.	AMERICAN FIDELITY	0	2	2	(2.00)	-	12.5	(300.00)	-
142 SCOTT	AMERICAN FIDELITY	2	2	2	-	-	279.5	-	-
143 SHELBY	FLEX ONE	Could not find	N/A	2	UNKNOWN	UNKNOWN	187.5	UNKNOWN	UNKNOWN
144 SILVER GROVE IND.	NKCES	0	0	2	-	2.00	19	-	(1,944.84)
145 SIMPSON	AFLAC	3	2	2	1.00	-	106	1,272.00	-
146 SOMERSET IND.		MISSING	MISSING	2	MISSING	MISSING	45	UNKNOWN	UNKNOWN
147 SOUTHERN IND.	NKCES	Jan - Oct. 4% ind. Cost, Nov - Dec 7% ind. Cost	0	2	UNKNOWN	2.00	0	UNKNOWN	-

Savings on Accounts Where Employees Waive Health Insurance

SCHOOL DISTRICT	PROVIDER PER SURVEY	RATES			DIFFERENCE		PARTICIPANTS WAIVING COVERAGE PY 2004	ANNUAL SAVINGS	
		SURVEY RATE	VENDOR RATE	AMERICAN FIDELITY	SURVEY & VENDOR	VENDOR & A.F.		SURVEY & A.F.	VENDOR & A.F.
148 SPENCER	AMERICAN FIDELITY	2	2	2	-	-	109	-	-
149 TAYLOR	FEBCO	6	6	2	-	(4.00)	91.5	-	(4,392.00)
150 TODD	AMERICAN FIDELITY	2	2	2	-	-	96	-	-
151 TRIGG	AMERICAN FIDELITY	2	2	2	-	-	78	-	-
152 TRIMBLE	AMERICAN FIDELITY	2	2	2	-	-	75.5	-	-
153 UNION	AMERICAN FIDELITY	2	2	2	-	-	99.5	-	-
154 WALTON VERONA IND.	NKCES	0	0	2	-	2.00	51.5	-	(5,271.54)
155 WARREN	TIM DAVIS & ASSOC.	3.25	3.25	2	-	(1.25)	400.5	-	(6,007.50)
156 WASHINGTON	AMERICAN FIDELITY	2	2	2	-	-	75	-	-
157 WAYNE		MISSING	MISSING	2	MISSING	MISSING	46	UNKNOWN	UNKNOWN
158 WEBSTER	AMERICAN FIDELITY	2	2	2	-	-	75.5	-	-
159 WEST POINT IND.	AMERICAN FIDELITY	2	2	2	-	-	10	-	-
160 WHITLEY	AMERICAN FIDELITY	2	2	2	-	-	118	-	-
161 WILLIAMSBURG IND.	AMERICAN FIDELITY	0	2	2	(2.00)	-	25.5	(612.00)	-
162 WILLIAMSTOWN IND.	NKCES	0	0	2	-	2.00	49	-	(5,015.64)
163 WOLFE	AMERICAN FIDELITY	2	2	2	-	-	32	-	-
164 WOODFORD	FEBCO	4	6	2	(2.00)	(4.00)	158.5	(3,804.00)	(7,608.00)
							22,179.50	(45,153.00)	(467,893.92)
							See Note 1	Note 2	Note 3

Note 1 Total Participants who waived coverage for plan year 2003. This does not include participants who elected to contribute via salary reductions to FSAs.

Note 2 This only compares what the school districts reported as their FSA administrative charge vs. what the vendor disclosed as their fee. In other words, if the school district responses were correct, they were overcharged by \$45,153 for plan year 2003. As described in the conclusion, we do not believe this is the case.

Note 3 Estimated total savings if all districts used American Fidelity.

1

Tickmark Legend

	The district responded that they did not have an administrative charge, however American Fidelity charges \$2 per month per plan participant (but this apparently is withheld from forfeitures).
	County did not provide a response for the survey.
	Rate from 2005 Plan Year as 2003 plan year information was not available.
	County did not provide a response for the survey or stated they did not have a flexible spending plan, however, American Fidelity reported that they administered their Plan Year 2003 FSA program.
	District responses stated that NKCES did not charge and administrative fee for administering the FSA program. Per discussion with the audit manager, the fee was actually 4% for Jan - Oct. and 7% for Nov. and December. If this is the case, for participants who waive coverage, the annual cost of using NKCES would be \$126.36 vs. \$24 using American Fidelity. This information will be incorporated above. See page 8 for how this amount was calculated.

APPENDIX N

Estimate of Annual Savings if All School Districts Utilized
American Fidelity As Their Third Party Administrator

**Estimate of Annual Savings if All School Districts Utilized
American Fidelity as Their Third Party Administrator**

	VENDOR	MEDICAL FSAs	DEPENDENT CARE FSA	TOTAL INDIVIDUAL ACCOUNTS	VENDOR		A.F.		ANNUAL COST / (SAVINGS)
					MONTHLY COST	ANNUAL COST	MONTHLY COST	ANNUAL COST	
1	AFLAC/FLEXONE			-		-		-	-
2	AMERICAN FIDELITY	628	44	672	2.00	16,128	2.00	16,128	-
3	FEBCO	697	103	800	6.00	57,600	2.00	19,200	(38,400)
	FLEXWIN/LIFE								
4	INVESTORS	322	-	322	Unknown	Unknown		-	Unknown
5	FBMC			-		-		-	-
6	INFINISOURCE	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	INTEGRATED BUSINESS								
7	ADMINISTRATORS	33	12	45	5.00	2,700	2.00	1,080	(1,620)
	MADISON & ASSOCIATES								
8		17	-	17	2.34	477	2.00	408	(69)
9	NKCES	247	109	356	N/A	44,949	2.00	8,544	(36,405)
10	OHIO COUNTY	12	3	15	3.75	675	2.00	360	(315)
	TIM DAVIS & ASSOCIATES								
11		97	47	144	3.25	5,616	2.00	3,456	(2,160)
12	UPCHURCH/WAYNE CO.	5	5	10	5.50*	660		-	(660)
									(79,629)

Ohio Co. ER FSA savings (cost not included on other report).

(196.5 avg. participants x \$2 a month x 12 months) - (196.5 avg. participants x 3.75 x 12)

(4,127)

Wayne Co. ER FSA savings (not included in other report)

(46 avg. participants x \$2 a month x 12 months) - (46 avg. participants x 5.5 x 12)

(1,932)

(85,687)

Tickmark Legend

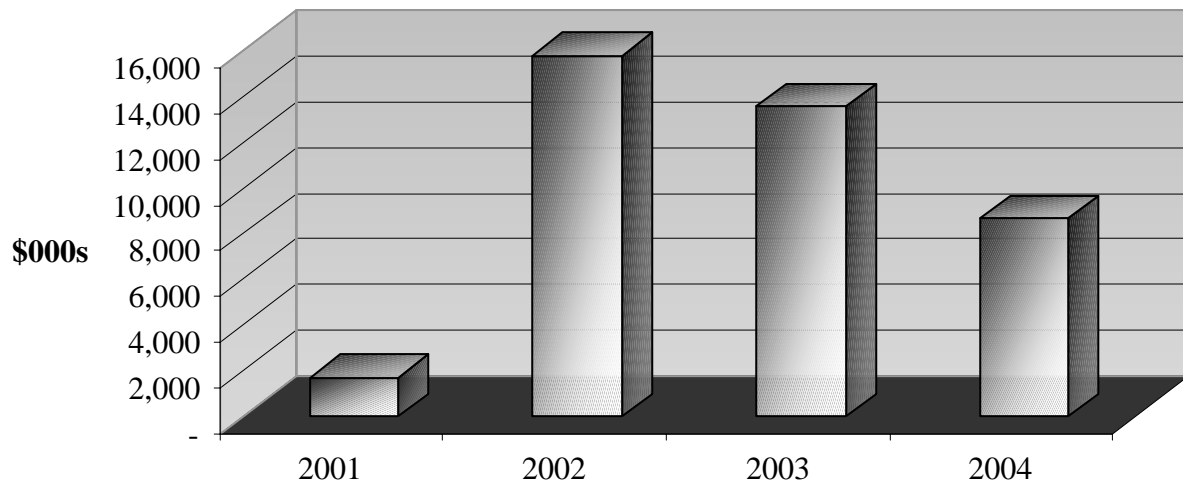
	This includes employee and employer participation levels
	Never submitted any information
	Using monthly cost information from this report.
Unknown	Vendor charge is unknown, therefore savings cannot be calculated.
	Vendor refused to provide information since we were not listed as a contact for the school district.
* 1.50 for District cost + at least \$4 for charge to employee	

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APPENDIX O

Chart of School District Refunds for 2001-2004

Chart of School District Refunds for 2001-2004



PLAN YEAR	REFUND (actual)
2001	\$ 1,724,732
2002	15,791,211
2003	13,566,590
2004	8,649,768 Estimate through 8/11/05
	<u><u>\$ 39,732,301</u></u>

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APPENDIX P

Flexible Spending Plan Contract Overview

- I. Flexible Spending Plans Overview
- II. Forfeiture of Year End Funds
- III. Individual School District Programs
- IV. Survey of Flexible Spending Accounts in School Districts
- V. State Contract for Flexible Spending Accounts

FLEXIBLE SPENDING PLANS OVERVIEW

The purpose of this study is to look at the practices of the 176 local school districts throughout Kentucky in administering Flexible Spending Accounts for their employees. Flexible Spending Accounts were authorized in the late 1970's by the United States Congress to assist employees in paying for health care expenses at a time of substantial increase by allowing eligible expenses to be paid with pre-tax dollars. Flexible Spending Accounts require that an employer adopt a plan in compliance with Section 125 of the Internal Revenue Code and have a record-keeping agreement which insures that expenditures are made only as authorized under the Flexible Spending Account program.

The State of Kentucky passed its Flexible Spending Account statute, which authorized cafeteria plans in compliance with Section 125, for State employees in 1990. These provisions are contained in KRS 18A.227. Although KRS 18A applies only to State employees, local school districts began to authorize Flexible Spending Accounts for their employees in the 1990's.

Flexible Spending Accounts consist of expenditures in broad categories but all relate to health care, insurance, and dependent care. Section 125 of the Internal Revenue Code allows pre-tax expenditures in the following categories:

1. Unreimbursed medical expenses.
2. Medical insurance.
3. Catastrophic insurance (cancer, etc.).
4. Long-term disability insurance.
5. Group term insurance for accident, life (restricted amounts), and death.
6. Dental and vision insurance.

Employers may authorize some or all of these expenditures under their plans. Dependent care (daycare) is authorized under a different Section of the Internal Revenue Code and is discussed below. Recent research indicates that the overall percentage of private employers authorizing such plans is small and concentrated in large groups. Most state governments have authorized such plans with many individual governmental entities also providing these benefits.

In reviewing the submissions of the 176 local school districts, it appears that all of those who reported allow Flexible Spending Accounts of some variety. In Kentucky, a particular aspect of this plan is the Kentucky Legislature's appropriation of \$234.00 per month (or \$2,808.00 per year) to employees electing not to be covered under the State health insurance program, whether State employee or an employee of the local school districts, to be utilized in Flexible Spending Accounts for the above-expenditures. The State's \$234.00 appropriation does not cover dependent care or additional health insurance due to its source being the rejection of such coverage. Supplementary health insurance policy premiums are authorized under Individual Flexible Spending Accounts.

Local school districts, in many cases, have two Flexible Spending Accounts with the \$234.00 per month State appropriation being placed into what is called the "State Account" and individual contributions by employees of pre-tax dollars going into a local Flexible Spending Account program. All reporting districts have a State account as this is the only way its employees can utilize the \$234.00.

There are about ten (10) administrators in Kentucky who operate Flexible Spending Account programs for the local school districts. The local school district employer, with the assistance of the Administrator, adopts a Flexible Spending Account plan in compliance with Section 125 of the Internal Revenue Code that authorizes payroll deductions for the various approved uses. The local school district then employs the administrator to keep records of revenues and disbursements for eligible uses in compliance with Internal Revenue Code requirements.

A particular expansion of the health Flexible Spending Account program is to authorize dependent care expenditures to be paid by employee deduction, which deductions are also tax exempt. These provisions, as approved under Section 151 of the Internal Revenue Code, allow the employee to pay for dependent day or home care while the employee is working with pre-tax dollars. This is a major benefit enhancement for the employees.

FORFEITURE OF YEAR END FUNDS

Under the Internal Revenue Service Code, unexpended funds are “forfeited” to the employer at year’s end. The basis for the forfeiture under the law is that in order for the employee to utilize a Section 125 Flexible Spending Account, the employee must forfeit any unexpended monies at the end of the year. The United States Congress has adopted a concept that the tax deduction component should be in exchange for the risk that the employee does not expend the monies. In the converse, the employee can spend his entire annual contribution in the first month of the plan year under either program leaving the employer liable for any shortfall if the employee dies or leaves employment prior to year’s end.

In 2003, the United States Congress, upon the recommendation of President George W. Bush, adopted laws allowing a limited carry over of up to \$500.00 into health savings accounts. These programs have not been authorized under State law and, to the best of our knowledge, have not been utilized by the Kentucky local school districts. These health savings account programs are complicated with the individual administrators currently being in a learning process. Due to the “richness” of Kentucky’s health insurance plan with very low deductibles and co-pays, it is likely that school districts and the State would not qualify for health savings accounts.

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INDIVIDUAL SCHOOL DISTRICT PROGRAMS

As indicated, local school districts employ approximately ten (10) administrators to operate their program. There are no State statutes which govern specifically the Flexible Spending Account program other than the restriction that \$234.00 go into a State program on a monthly basis for individual school district employees to be used for unreimbursed health care expenses. Aside from the unreimbursed health care expenses for those employees rejecting health care coverage and receiving the \$234.00 State appropriation, the Individual Flexible Spending Account operated by the local school districts allows payroll deduction for the payment of dependent care and the various insurance components authorized under Section 125 of the Internal Revenue Code along with unreimbursed medical expenses. Many employees who do not receive the \$234.00 appropriation amount utilize the local school districts' Individual Flexible Spending Account programs. Other employees who reject coverage in some cases utilize both categories of accounts with the State monies used for the purposes outlined above and the employee's own individual contributions used for insurance and other options.

The determination as to what options are made available is exclusively determined in the discretion of the local school districts with no regulatory restrictions other than the eligibility requirements under the Internal Revenue Service Codes. There are no standards that dictate the kinds of plans that may be authorized with some local school districts having very skeleton programs while others having broader programs. Obviously, the size of such programs correlates to the size of the district and the particular administrator. Some administrators also offer insurance products directly or have affiliations with other companies who provide such benefits. These products are then offered to the individual employees through the local school district having hired the particular plan administrator.

A. State-Funded Flexible Spending Accounts

This study of the Flexible Spending Account program of the local school districts was precipitated by the fact that the State appropriates \$234.00 per month for school teachers rejecting coverage with a total in this category estimated to be about 27,000 school teachers. This means that about \$76 million per year ($\$2,808 \times 27,000$) is appropriated by the State for these individuals to their local school districts for expenditures relating to unreimbursed health care expenses. In fiscal year 2002-03, the Kentucky Legislature adopted a budget which took back unexpended appropriations of these monies from the accounts of the individuals in the local school districts as State revenue. In the first year, the total forfeitures of these monies approximated \$16 million with the lower amount of \$11.5 million for 2003. These forfeiture funds are expected to decline as the utilization of the \$234.00 contribution increases and as the cost of health care paid for by these funds rises while the appropriation remains constant such that 2004 projections are under \$7 million. These monies have since become a significant, although declining, component utilized in balancing the State Budget. Prior to fiscal year 2002-03, the local school districts kept these monies and utilized them for their operations.

B. Individual-Funded Flexible Spending Accounts

In contrast to the State Flexible Spending Account program in the local school districts, the school districts exclusively administer the Individual Flexible Spending Account program. All monies provided in this program are contributed by individual employees who wish to

participate. Administrators conduct meetings to discuss with the employees how to determine the amount of money that should be withheld from their paycheck. To the extent possible, the withheld amount should reflect what the employee is confident it will expend during the calendar year. This is simple with regard to insurance premiums and daycare but is more complicated with regard to medical expenses. The reason for the importance of estimating these costs is that any monies left over are the property of the school district employer.

There is some question in this respect concerning the State Budget, which seems to provide that the State will “sweep” these monies at the year-end as well. Administrators have advised us that these monies have not been swept to date, notwithstanding such language. The administrators do point out that the amounts of monies that would remain are a very small percentage of contributions as individuals do not put their monies into the program unless they are fully confident that they will expend it. This is in contrast to the State’s \$234.00 appropriation where the employee has nothing to lose by putting it into the account whether or not the monies are expended. Obviously, prudent account management by the employee should insure that it uses the monies for unreimbursed health care expenditures. With young employees, however, there may be no such expenditures.

SURVEY OF FLEXIBLE SPENDING ACCOUNTS IN SCHOOL DISTRICTS

In the fall of 2004, the Auditor's Office sent out surveys regarding Flexible Spending Accounts of the various school districts. About one hundred sixty (160) school districts did supply the information with only a few not doing so. With additional inquiry, we now have information from almost ninety-five percent (95%) of the school districts.

A. Summary of Survey Findings

In evaluating the responses, it appears that plans covering much the same programs are administered in materially different fashions. Some accounts are in the name of the school districts. Some accounts are in the name of the administrator, which arguably exposes the State monies to their business risk. Some school districts have both the State and the Individual contributions going into the same account. Others have separate accounts, whether in the administrators' names or in the school districts names.

Some school districts earn interest on the monies that is allocated amongst the school districts. This is the case with regard to American Fidelity, which administers Flexible Spending Accounts in over 110 school districts. Ironically, the Kentucky Education Development Cooperation ("KEDC") takes interest earned monthly from the central GOLF account, collects a five percent (5%) fee, and holds the balance until the year end and then allocating it to the participating school districts. This is KEDC's only role as it is not a party to the American Fidelity contract or investment agreement. Others earn interest which is the property of the individual school boards. Several earn interest which is the property of the administrators. No one earns interest that is then returned to the State.

American Fidelity charges \$2.00 and Madison and Associates charges one percent (1%) or \$2.34 per month per employee to administer the State program. Neither of these two administrators charges anything for the Individual Flexible Spending Account program. American Fidelity indicates that the actual "cost" of managing the State program is more like \$3.00, although it offers its current program so that it can offer life insurance products in the school districts. Both American Fidelity and Madison and Associates market insurance products.

From a comparatively low fee of \$2.00 or \$2.34 collected from the forfeitures, one may contrast the substantially higher charge of the Northern Kentucky Cooperative which is seven percent (7%) of the State contribution. This means that the monthly charge by the Northern Kentucky Cooperative for handling the State monies is over \$16.00. Only one school district, Oldham County, pays anything close to this \$16.00 amount. Oldham County's contract is with FEBCO where it pays \$13.00, although all of FEBCO's other accounts pay \$6.00. FEBCO indicates that it provides substantial additional services for Oldham County.

One administrator, The Upchurch Agency in Monticello, administers only the Wayne County program but collects its fees exclusively from the individuals or the school district. Upchurch is the sole administrator that does not collect its fee from the State's forfeiture amount.

Ohio County is the only school district that administers its own Flexible Spending Account program, although it does so through a side arrangement with its Chief Financial Officer. Ohio County indicates that the school district had problems with the prior administrator who did not

process health insurance expenses in a prompt fashion. Ohio County took over the program as a result thereof. This program is secure in that the funds are maintained by the school district in its own account clearly protected from third party risk. All administrative fees of \$3.75 per employee for the State and Individual programs are taken from the State's contribution, thus reducing its year end forfeiture and are paid as supplementary compensation to the District's CFO (\$13,000 in 2003). Ohio County also utilizes the services of an insurance agency, whom Tim Davis Associates also uses to sell insurance products, to help with administration of the program in exchange for access to the employees to sell products. The insurance agency receives no fee for these services. Tim Davis Associates pays the insurance agency \$0.50 in Ohio County in exchange for handling part of the account administration for them.

B. Administrators Of School Districts Flexible Spending Accounts

1. American Fidelity Insurance:

American Fidelity Insurance ("AFI") is the largest provider of the State and Individual Flexible Spending Accounts to local school districts. Based upon surveys and updates, it appears that about one hundred fifteen (115) school districts utilize AFI to provide administrative services for their State and Individual Flexible Spending Accounts. Additionally, AFI indicates that it sells insurance products in another fifteen (15) to twenty (20) school districts that have other administrators.

AFI charges a fee of \$2.00 per month per employee taken from the State forfeiture amount to provide services for the State Flexible Spending Accounts. No fee is charged to provide services for the Individual dependent and other deduction accounts. This \$2.00 fee, according to AFI, is less than the actual cost of the service of administering the program, although it charges this fee due to competition and to have the ability to sell insurance products and other items to the school districts.

Although no fee is charged for the Individual accounts, AFI indicates that the school districts perform "in kind services" including assistance in enrollment and other items as well as making school offices available for certain services performed by AFI.

AFI indicates that monies are managed as provided under the GOLF Agreement (the Kentucky Governmental Organizations Liquidity Fund program), which is an interlocal cooperation agreement between the Kentucky Interlocal School Transportation Association ("KISTA"), and the Kentucky Area Development Districts Financing Trust ("KADDFT") in accordance with KRS 66.480. Under the GOLF Agreement, the local school district elects to be a participant in the program, which therefor results in the State's \$234.00 contribution for individuals rejecting State health insurance being transferred through the Kentucky Educational Development Cooperative ("KEDC") into the GOLF account. This account is managed through a very detailed and professionally designed investment program agreement that is dated October 1, 2002, whereby Fifth Third Bank acts as custodian with Cadre Financial Services Investments as the investment manager and Ross Sinclair & Associates as the marketing agent for the fund. Monies are wired into the fund and are then managed pursuant to the investment program agreement.

The investment program agreement provides that interest earnings inure to the benefit of the participant. Fees are paid to the custodian in the amount of five (5) basis points, the investment manager, Cadre Financial, in the amount of twenty (20) basis points, and the marketing agent, Ross Sinclair, in the amount of twenty (20) basis points. Fifth Third is also entitled to certain fees for wire transfers, although the balance of the monies belongs to the school districts.

Although the earnings are a product of the investment of the State monies, KEDC distributes interest on a pro-rata basis to the school districts. The basis for this is not clear as the monies, if left over in the account, are arguably the property of the State just like the balance of the dollars. In the case of AFI, the State contribution totals about \$37 million with just over \$6.4 million having been returned to the State for the 2003 calendar year as the individual contributions are placed in a demand account that is not interest earning (as precluded under the Internal Revenue Service Code due to the pre-tax nature of these monies).

The investment program agreement concerning the account provides that the investment decisions are made by a board made up of KISTA and KADDFT with the consulting advice of Cadre Financial. The funds belong to the school districts such that there is no risk under the administrative agreement with AFI. As an aside, AFI is an A+ rated insurance company as rated by A.M. Best. Financial statements are sent to the school participants under the investment program agreement.

2. Farris Group/Integrated Benefit Administration:

The Farris Group/Integrated Benefit Administration (“IBA”) handles four school districts, including Nelson, Pendleton, and Carroll Counties and the Cloverport Independent School District. IBA indicated that there is a separate account maintained by IBA for each district. State and individual contributions are both placed into the same district account. Republic Bank manages the accounts on behalf of IBA and charges no transaction fees while paying no interest on funds in the accounts. The accounts are in the name of IBA on behalf of each school district.

IBA provides these services for a fee of \$5.00 per month, whether the State or Individual program or both. These fees are deducted from the State’s \$234 monthly contribution otherwise subject to forfeiture. In the event the individual wants a “flex card”, which can be used as a debit card to pay medical and other expenses, a \$2.00 fee per month is charged the employee by IBA. Approximately fifty percent (50%) of the employees utilize the flex card.

IBA indicated that it is beginning the practice of an outside audit this year on its firm, which audit would encompass all of its activities including the Flexible Spending Account program.

3. FEBCO:

FEBCO administers twelve local school district accounts according to its form submission, confirmed by the school districts, and its CEO, who runs the program. FEBCO maintains one holding account where all funds for both State and Individual Flexible Spending Account programs are transferred. The account is a checking account where there is no charge for

services provided by the bank nor is interest earned on the account due to its primary pass-through nature.

FEBCO charges \$6.00 per month per employee to be taken from the forfeiture amount otherwise returned to the State with the exception of the Oldham County School District where it charges \$13 per month. FEBCO states that the reason Oldham County pays considerably more is because FEBCO provides many additional services to that school district. Unlike many of its school districts where school employees assist with enrollment, FEBCO spends three weeks in Oldham County to provide all services to that district and charges the \$13 monthly amount for those services.

FEBCO also provides a flexible convenience card or debit card where the employee can pay for medical care and other eligible expenses. The card recognizes the employee and determines eligibility for payments like co-pays and deductibles and processes these instantly.

4. Madison & Associates:

Madison & Associates (“M&A”) administers the program of Edmonson and Logan Counties. M&A handles the State and Individual Flexible Spending Account programs on behalf of these school districts. M&A places both the State and Individual Flexible Spending Account program monies in a single holding account. To the extent that there are earnings on the account, they inure to the benefit of M&A.

M&A charges a one percent (1%) fee, or \$2.34 per month, for each employee for managing the State Flexible Spending Account program. No fees are charges for the Individual Account.

M&A does offer insurance products to school district employees, including those products from Life of Alabama and others.

5. Northern Kentucky Cooperative Education System:

The Northern Kentucky Cooperative Education System (“NKCES”) reported management of nineteen (19) school district accounts as confirmed by the individual school districts. In conversation, NKCES indicated that the Fayette County School District had moved its business in 2004 to another administrator. NKCES manages both the State Flexible Spending Account program along with the Individual Dependent Care Account program for school districts. Approximately ten (10) of the school districts put monies into the Individual program while all participate in the State program.

Funds are placed in two accounts with both accounts being in the name of NKCES as the third-party administrator. The Individual Account is a demand account while the State Account does earn interest, which inures to the benefit of NKCES.

NKCES charges no fee on the Individual Account monies. Prior to November 2003, NKCES charged four percent (4%) of the State’s monthly \$234 contribution funded solely through the balance available for forfeiture. In November 2003, NKCES increased its fees to seven percent (7%) of the State’s monthly contribution in all of its accounts. NKCES states that it made this

increase to seven percent (7%) fee to be consistent with that charged for other services provided for school districts. It should be noted that this increase occurred after the State first took the forfeiture amount which had earlier benefited the same school districts.

6. Ohio County School District:

The Ohio County School District is unique to those that responded to the survey in that the school district administers its Flexible Spending Account program. Ohio County, through its Chief Financial Officer for the school district, manages its Flexible Spending Account program.

Ohio County indicates that both the State and Individual voluntary health and dependent flexible spending programs are placed in the Board of Education School Account. Using the Munis software, Ohio County accounts for those contributions separately and maintains records for both the State as well as the Individual Flexible Spending Account programs. The account does earn interest, which is allocated to the Flexible Spending Account, but is kept by the School Board and is not returned as a part of the State forfeiture amount.

In what is another unique arrangement, the district's CFO is paid \$3.75 per month for each month that an individual participates in the State program along with a second \$3.75 per month for participation in the Individual program. The entire cost of participation, whether \$0, \$3.75 or \$7.50 per employee, is deducted from the balance left over from the State's \$234.00 monthly contribution prior to the return of the forfeiture amount for the operating year. Ohio County indicates that this is supplementary pay for its CFO and is displayed on its report to the Department of Education. For the year 2003, Ohio County's supplementary pay to its CFO was \$12,862.50. For this supplementary pay, the CFO manages the account and receives requests for payments from employees and makes those payments on their behalf just like other administrators. For purposes of enrollment and other matters, Ohio County uses an insurance agency who handles these services in exchange for being allowed to sell insurance products in the Ohio County School District. The insurance agency receives no fees from the school district other than access to the employees. To the extent that insurance products are sold, separate payroll deductions are made after tax to make such payments.

Ohio County points out that, prior to its CFO taking over the administration of the program, it contracted with one of the current administrators to run its program. The school district had numerous complaints from its employees when various medical expenses and other items were not paid on a current basis. The school district then elected to take over the administration of the program and asked its CFO to manage it in exchange for additional compensation. The insurance agency agreement was to help with the enrollment and administrative paperwork in exchange for access to the employees to sell insurance products.

7. Tim Davis Associates:

Tim Davis Associates ("TDA") is a third-party administrator who filled out information confirmed by counties that it handled five (5) county accounts. These included Butler, Meade, Warren, Hardin and Barren County school districts. TDA indicated that Barren County had moved its business for 2005 to another administrator.

TDA operates both the State Flexible Spending Account and the Individual Program for Dependent Care, etc., on behalf of the school districts. TDA establishes two accounts for each school in its name using its tax identification number. Monies go into these accounts from the State and from the individual contributions through the school district and are then expended under the administration of TDA. The Employee program is a demand account with Section 125 precluding interest earnings on those funds according to TDA. The State program earns interest, which is the property of TDA.

The forms filled out by the school districts showed some paying \$3.25 and others paying \$4.00 or \$4.50. TDA indicated that fees had been increased for calendar year 2005 to \$4.00 in Hardin County and \$4.50 in Butler, Meade, and Warren Counties. The reason for the additional \$0.50 fee in Butler, Meade and Warren Counties was that TDA pays \$0.50 to a third party who as a “finder” and who handles portions of enrollment and also sells insurance products in those particular school districts.

8. Upchurch Insurance Agency:

Upchurch Insurance Agency (“Upchurch”) manages the Wayne County School District’s Flexible Spending Account. Although Wayne County did not supply a form, Upchurch did with Martin Upchurch answering additional clarifying questions for the account.

Upchurch handles both Individual and State Flexible Spending Accounts. All funds are placed into a single account that is in the name of the school district under its employer identification number.

Upchurch negotiated the account arrangement with a local financial institution where the account is of the demand nature with neither interest earned nor charges made for services rendered.

Upchurch charges the Wayne County School District \$1.50 per month for each employee in the system while it charges the employees either \$4.00 or \$5.00, depending on whether the employee participates in one or both of the two Flexible Spending Accounts (State and Individual). These monies are collected from the employees directly from payroll and are not taken from the State forfeiture amount. This is the only program where the State’s otherwise forfeited amount is not the source for the administrative fee payment.

9. Administrators Not Responding To Survey Request:

Two administrators, AFLAC and FBMC have not responded to the request of the Auditor’s Office for information concerning their accounts in school districts they manage. FBMC manages Fayette County and Jefferson County along with the State group. As was stated earlier, FBMC charges \$2.50 per State employee per month for each program. Only one fee is paid in the event the individual participates in both the State and the Individual Flexible Spending Account programs. I speculate local district fees are comparable but I do not have these facts.

AFLAC manages accounts for between seven and nine Kentucky school districts. The submissions of the individual districts indicate that AFLAC’s fees range from nothing in

Hopkins and Laurel Counties, \$3.00 in Shelby, Lewis, and Simpson Counties, and \$5.00 in Middlesboro and Anchorage. It is unlikely that these fee variations exist with the different numbers probably reflecting different year periods. The school districts reporting that no fee was charged probably meant that nothing is paid by the employees with the fee charged coming from the forfeiture amount. This is proven through the cases of numerous other school districts who also stated they did not pay fees.

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STATE CONTRACT FOR FLEXIBLE SPENDING ACCOUNTS

Under Solicitation No. S-02172992, the Finance and Administration Cabinet, on behalf of the Personnel Cabinet, solicited bids and executed a contract to manage both State and Individual Flexible Spending plans. The contract, which was let for calendar years 2003 and 2004, was ultimately executed with Fringe Benefits Management Company ("FBMC") from Tallahassee, Florida. The contract consists of the following:

1. State Flexible Spending Plan – This plan is for the individuals rejecting health insurance coverage are provided with \$234.00 per month by the State to pay for health insurance related expenses.
2. Dependent Care Individual Flexible Spending Plan – This plan allows for individuals to have pre-tax monies withheld from their account to be used for dependent care expenses and eligible health care costs on a pre-tax basis.

The contract for the management of the Flexible Spending Accounts does not cover additional products such as life insurance, etc., which American Fidelity and others offer under the local school district programs. These products are not eligible for payment under Section 125 as authorized by Internal Revenue Service and are supplemental benefits paid for with after-tax dollars by school district employees.

The highlights of the State contract are that monies are maintained in a bank account in the name of the State and that any interest earnings would inure to the benefit of the State. Monies are disbursed from the account through the management and processing by FBMC with very detailed performance requirements being a part of the RFPN contract. Performance standards include three-day claims processing and other standards to insure responsive performance by FBMC for State participants.

In exchange for administering the two accounts, including enrollment and the processing of payments of all claims, FBMC receives \$2.50 from the State whether or not it administers one or both of the Flexible Spending Account programs. The contract with FBMC was extended for an additional two years as authorized by the original agreement to cover operating years 2005 and 2006. There were no material changes made in the extension. The contract does allow the purchase of a debit card which carries a \$0.50 fee per transaction for utilization and an annual fee of \$6.00.

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APPENDIX Q

Flexible Spending Account Administrative Fee Comparison

Flexible Spending Account Administrative Fee Comparison

These fees are for monthly administration fees per participant for calendar year or as otherwise noted below.

CY 03		CY 03-05		CY 06		CY 07 & January 1, 2008 - June 30, 2008
American Fidelity		FBMC		Humana		Humana
\$ 2.00		\$2.50		\$2.80		\$3.05

Of the 164 school districts surveyed, 101 or 61% of the school districts used American Fidelity as their Flexible Spending Account Administrator for Calendar Year 03.

FBMC currently administers the Commonwealth of Kentucky and Jefferson County Schools Flexible Spending Accounts and has been the administrator since January 1, 2003.

Humana will administer the Commonwealth of Kentucky Flexible Spending Accounts as an extension to their contract for performing Medical Benefit Administrator services for the Commonwealth of Kentucky Public Employee Health Insurance Program for January 1, 2006 through June 30, 2008.

